Austria Sch22	Indonesia ... Rp3100	Portugal ... Esc100
Bahrain ... Din0.650	Israel NS3.50	S.Arabia ... Rls6.00
Belgium BFr48	Italy L1600	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils.500	Sri Lanka ... Rup30
Denmark .. DKr9.00	Kuwait Fils.500	Sweden ... SKr8.00
Egypt ...... E£2.25	Lebanon S£125.00	Switz SFr2.20
Finland ... Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany .. DM2.20	Mexico Pes300	Tunisia ... Din0.800
Greece Dr100	Morocco ... Dh6.00	Turkey L500
Hong Kong.. HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,423 — Thursday December 24 1987 — D 8523 A

The Swiss cheese war ferments in France, Page 4

World News

Sinhalese gunmen kill ruling party chairman

Sinhalese extremists shot and killed the chairman of President Junius Jayewardene's United National Party and three other people yesterday.

Harsha Abeywardene, his driver, a bodyguard and another aide were killed when at least 21 bullets were fired at their Korean-made car. Page 12

Airliner hijacked

A Dutch airline KLM Boeing 737 with 91 passengers on board was hijacked on a flight from Amsterdam and landed at Rome's Fiumicino airport.

Kidnappers get $6m

Kidnappers freed the teenaged son and daughter of a West German drugstore tycoon, Anton Schlecker, after he paid a DM10m ($6m) ransom.

Taipei braced

The Taiwan Government is bracing itself for a demonstration by the opposition Democratic Progressive Party tomorrow – Constitution Day. Page 4

Ultimatum to airlines

The European Commission has terday warned 13 leading airlines that they must scrap restrictive route-sharing practices by January 1 or face the consequences of tough new air liberalisation rules. Page 12

Spycatcher snatch

New Zealand's stock of 1,500 copies of Spycatcher, the book the British Government tried to have suppressed, were sold within five minutes after the Supreme Court cleared the way for distribution of the book. Page 3

Afghan offensive

The Soviet Union confirmed that Afghan Government troops had launched an offensive against Moslem rebels in an attempt to lift the siege of Khost. Page 4

Snow shortage

A lack of snow in Swiss alpine resorts has forced many ski-lifts to close, the Swiss national tourism office said.

Syrian alliance

The strategic alliance between Syria and Iran appears to be alive and well, despite Arab attempts to lure Damascus into changing sides in the Gulf war. Page 4

Bangladeshi cabinet

President Hussain Mohammad Ershad of Bangladesh is expected to dissolve his cabinet soon and appoint a smaller council of ministers. Page 4

Asylum request

A missing Soviet scientist is in the Australian High Commission (Embassy) in New Delhi and is seeking political asylum.

Peru bomb blast

Marxist guerrillas exploded a bomb in a car outside Peru's central bank in Lima but there were no injuries.

Alitalia cancellations

The Italian airline Alitalia and its subsidiary ATI said they would cancel about 50 flights a day for the next fortnight because strike action had delayed essential maintenance work on aircraft.

Koivisto tops poll

President Mauno Koivisto seems certain to win a further six-year term at next month's presidential elections in Finland after an opinion poll showed he had the support of 55 per cent of voters.

Financial Times

The Financial Times wishes its readers, advertisers and distributors a happy Christmas. The Financial Times will not be published tomorrow, December 26 or 28. It will be published again on Tuesday, December 29.

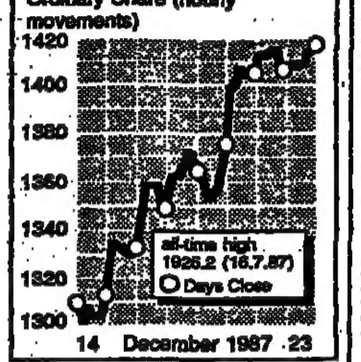
Business Summary

Braniff pulls out of Pan Am merger

BRANIFF, US airline company owned by the Pritzker family of Chicago, has formally dropped its offer to merge with Pan American World Airways after a disagreement among Pan Am's unions over labour concessions. Page 13

WALL STREET: By 2pm the Dow Jones industrial average was up 25.69 at 2,004.14. Page 30

LONDON: Optimism over prospects for the UK economy overcame disappointment over Novembner's trade figures to lift equities. The FT-SE 100 index ended 24.0 higher at 1,771.4 and the FT Ordinary index rose 6.5 to 1,415.4. Details Page 26



TOKYO: Pension funds continued their sell-off, dragging prices lower in thin volume. The Nikkei average ended 47.17 lower at 22,693.85 after tumbling 116 points earlier in the day. Page 30

UNILEVER, consumer products group, is selling its Thames Board business to Iggesund, Swedish forest products company, for £80m ($146.4m), marking the end of Unilever's involvement in the UK paper and packaging industry. Page 13

DOLLAR closed in London at DM1.6360 (DM1.6285), FFr5.5325 (FFr5.5050), SFr1.33 (SFr1.3235), and Y126.75 (Y126.60). Page 19

STERLING closed in London at $1.8235 (1.8245), Y231.25 (Y231.75), DM2.9850 (DM2.9800), FFr10.0925 (FFr10.0775) and SFr2.4250 (SFr2.4225). Page 19

B.F.GOODRICH, long established Ohio-based tyre company, is selling its 50 per cent stake in its joint venture with the Uniroyal Goodrich Tyre Company to Clayton & Dubilier, New York-based investment company which specialises in management buyouts, for $225m. Page 13

SKY, satellite television channel owned by Mr Rupert Murdoch, has made its first significant advance into eastern Europe after its launch on seven cable television networks in Hungary. Page 7

COMPUTER-aided design, manufacturing and engineering systems posted a worldwide salesincrease of only 9.5 per cent to $4.4bn in 1987, according to market research. The 1986 increase was 14.1 per cent. Page 8

EUROPEAN COMMISSION warned 13 leading airlines that they must scrap restrictive route sharing practices by January 1 or face the consequences of tough new air liberalisation rules. Page 3

JAPANESE Government and business leaders reacted angrily to news that the US plans to bar Japanese construction companies from public works projects and to ban Toshiba products at US military bases. Page 4

GENERAL MOTORS cars sales and production in Western Europe rose last year, despite a sales downturn for GM's Vauxhall subsidiary in the UK.

TAIWAN'S Securities Exchange Commission has ordered Da Shing Stock Broker, one of the country's largest brokerage houses, to suspend trading after a client had defaulted on loans of $26.8m. Page 15

AVIS EUROPE, car rental and leasing group, is to pay £17.5m to buy Forward Trust's, a subsidiary of Midland Bank in the UK, 50 per cent holding in the companies' contract hire joint venture, Avis Car Leasing. Page 17

GENERALI, Italy's largest insurance group, has acquired 76 per cent of Geneva-based Union Suisse Assurances as part of the Italian group's strategy of internationalising its operations. Page 15

LEADING NATIONS BACK AWAY FROM SPECIFIC ACTION TO SUPPORT US CURRENCY

G7 pledge to avoid significant shifts in value of dollar

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE GROUP of Seven industrial nations said yesterday that they hoped to avoid any further significant shifts in the dollar's value, but left financial markets guessing as to extent to which they would co-operate to prop up the US currency.

In a lengthy joint statement the Group re-emphasised their "common interest in more stable exchange rates." They pledged close co-operation in implementing policies to strengthen the economic fundamentals which would underpin currency stability.

The seven – the US, Japan, West Germany, France, Britain, Italy and Canada – backed away, however, from any specific commitment to joint action to support the dollar.

They dropped a key phrase in last February's Louvre accord which had asserted that the dollar's fall since 1985 had brought exchange rates into line with underlying economic conditions.

Senior officials involved in drafting the statement said that the new wording marked a compromise between the US and its partners. While the European nations and Japan had sought a firm pledge on dollar stability, Washington insisted that it would not give an open-ended commitment to defend its currency.

Page 2: Full text of G7 statement. US economists react sceptically and warn that dollar will stay weak. The UK Chancellor of the Exchequer hails "international co-operation," while France maintains pressure to cut taxes on an unenthusiastic Bonn. West German bankers say currencies will become more stable. Japan stays unruffled and passes 1988 budget with public spending unchanged.

That difference, reflecting US concern that by raising interest rates to support the dollar it could push its economy towards recession, also explained the group's decision not to hold a formal meeting. Several ministers repeated yesterday that no such gathering is at present planned.

The bulk of the statement, released following President Reagan's decision to sign a $76bn package of measures to reduce the US budget deficit, focuses on the group's declared intention to eliminate large international payments imbalances.

It gives a relatively optimistic assessment of progress so far towards cutting the huge US trade deficit and the surpluses of Japan and West Germany: "The policies which have been implemented this year are gradually showing their intended effects. In particular, the balance between domestic demand and output in the United States and in Japan and the Federal Republic of Germany has shifted in a direction which promotes external adjustment."

The US deficit-cutting package, recent expansionary measures taken in West Germany and the Europe-wide cut in interest rates are singled out as a further step in the right direction. At the same time, Japan has pledged itself to maintain the recent strong growth rate in its economy.

Neither the US nor its partners, however, outline any new policy measures to be implemented over the next few months.

The officials acknowledged yesterday that there was still not a consensus among the seven on an appropriate level for the dollar's value. They stressed, however, that there was an agree-

Continued on Page 12

Markets greet G7 pledge with scepticism

By Simon Holberton in London

CURRENCY markets reacted with scepticism and suprise to the statement issued by the Group of Seven industrial nations yesterday morning which pledged their commitment to co-ordinated economic policies and stable exchange rates.

The dollar firmed slightly during extremely quiet and thin pre-Christmas trading. Dealers and analysts said, however, that this did not indicate any change to the market's bearish attitude to the US currency.

Analysts and currency traders with major UK banks and international securities houses said the G7 statement appeared to offer the dollar little support.

No new initiatives were proposed and there was no specific reference to the maintenance of currencies at present levels.

Although yesterday's statement appeared to offer little, not all were prepared to say the dollar would face a heavy bout of selling in the New Year. Currency traders said if the US trade figures improve, sentiment towards the dollar might change.

"People have neutral dollar positions at present and it is very difficult to tell how the market will trade in the New Year," one dealer with a big UK clearing bank said.

Some expressed suprise that G7 leaders had chosen to make a statement now. There was barely any trading in foreign exchange markets at this time of the year and it could have had more impact had it been released early in the New Year, they said.

Analysts said, however, that there was little the G7 governments could have said, given the likelihood of a political vacuum developing in Washington before the 1988 presidential elections and the outlook for the US trade and current account deficits.

Mr George Magnus, of Warburg Securities, said: "Even if we see an improvement in the US trade deficit, this will be offset by the deterioration in their net invisible earnings."

In London, the dollar closed at DM1.6360, compared with DM1.6285 on Tuesday and at Y126.75, compared with Y126.60.

Markets, Page 30

UN censure over riots angers Israel

BY OUR JERUSALEM CORRESPONDENT

ISRAEL yesterday firmly rejected the UN Security Council's censure of its handling of disturbances in the occupied West Bank and Gaza Strip, and protested against Washington's failure to veto the resolution on Tuesday night.

A statement from the Foreign Ministry warned that criticism from the US and other countries might be interpreted as support for violent Palestinian extremists who, it said, were trying to undermine efforts to bring about a negotiated peace.

Meanwhile, the office of Mr Yitzhak Shamir, the Prime Minister, delivered a sharply worded message to Mr Thomas Pickering, the US ambassador, complaining that a White House statement on Tuesday condemned Israel and Palestinian rioters in equal measure.

"There is no foundation or justification for blaming Israel," the Foreign Ministry statement said. Ministers were irked by President Ronald Reagan's rebuke to Israel and by the American abstention in the United Nations Security Council vote – a rare implicit censure of Israel by its ally. However, they insisted that Israel would not be deterred from using whatever force it judged necessary to restore order in the occupied territories.

A special meeting of the 10-man inner cabinet endorsed the tough measures taken so far and authorised the security forces to continue along the same lines.

Mr Yitzhak Rabin, the Defence Minister, later told the Knesset, Israel's parliament, that the Government was determined to put down the disturbances by whatever means necessary, even if that damaged Israel's image abroad. He believed the damage would be short-lived.

Mr Rabin, who has fostered an even harsher policy since his return from the US at the weekend, said that the West Bank towns of Hebron, Ramallah and Nablus would not be allowed to degenerate into Lebanese-style lawlessness.

The chiefs of the Central and Southern Commands, whose areas cover the West Bank and Gaza, respectively, would be given a free hand to detain or expel trouble-makers within the limits of the law. Mr Rabin said that non-lethal means would be used first to quell riots, but if teargas and rubber bullets were not enough and soldiers' lives were in danger, they were authorised to open fire with live ammunition.

For the time being at least, the new tougher strategy seems to be having an effect. Infantry patrols have been reinforced, helicopters have been used for

Continued on Page 12

US predicts slowdown in both growth and inflation

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration is forecasting slower economic growth, lower inflation and interest rates and an easier Federal Reserve monetary policy for 1988.

Announcing this, Mr Beryl Sprinkel, chairman of the Council of Economic Advisers and a member of the cabinet, also explicitly denied that the statement issued by the Group of Seven industrial countries (G7) implied a willingness by the US to raise interest rates to defend the dollar.

"I have read it carefully, there is no such statement", he said of the G7 communique. "There is also no statement about maintaining the dollar around present levels. There is a statement about monetary policy's role in providing liquidity growth for the economy in the year ahead."

Releasing the economic forecasts which will underpin the President's 1989 budget message to Congress, to be presented early next year, Mr Sprinkel said that the Administration expected real growth to slow to 2.4 per cent next year on a fourth quarter to fourth quarter basis. In 1987, real growth is expected to run at 3.1 per cent.

The Administration is assuming that unemployment will remain unchanged at around 5.8 per cent next year as the economy creates a further 2.9m jobs on top of the 14.5m rise in employment since the current economic upswing began.

Consumer price inflation is expected to slow from 4.7 per cent to 4.3 per cent, although inflation measured by the gross national product deflator is projected to rise from 3.5 per cent to 3.9 per cent.

Explaining the assumptions underlying the new projections, Mr Sprinkel said that about 1 percentage point of the 2.4 per cent increase in GNP was anticipated from an improvement in the real trade balance.

Domestic consumption, he said, was expected to slow and this accounted for most of the decline in the rate of growth.

Asked about comments from Mr Nigel Lawson, the British Chancellor of the Exchequer, suggesting that the G7 statement implied a willingness by the US to raise interest rates to defend the dollar, Mr Sprinkel replied: "I don't want to take an argument with my friend the Chancellor but I have read the statement very carefully and several times.

"It is very clear that the main thrust of the statement was the dedication of the seven nations to continue to pursue co-ordinated policies which would encourage adjustment of international imbalances and work towards greater exchange-rate stability."

While conceding that the G7 statement might imply a willingness to intervene in the foreign exchanges from time to time, Mr Sprinkel added: "The clear thrust was to create conditions which will bring greater stability in exchange markets."

Banks sign $4.5bn deal with Brazil

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BRAZIL and its main bank creditors have completed a $4.5bn interim finance package which will clear the way for the country to make the first interest payments to creditor banks on medium and long-term debt since it declared an interest moratorium in February.

The deal has been completed despite the resignation earlier this week of Mr Luiz Carlos Bresser Pereira, the Brazilian Finance Minister, following a deep disagreement with President Jose Sarney over a new fiscal package.

The agreement, signed by 114 banks, is designed to bring Brazil up to date on its interest payments for 1987. It envisages the banks will provide $3bn in two parts, the first tranche for $1bn being disbursed over the next month and the remainder in June.

The first element of the financing was not vulnerable to Mr Bresser Pereira's resignation, since the banks will receive more in interest than they pay out to Brazil.

However, the second part of the deal is dependent, according to the banks, on Brazil keeping current on interest payments and on it reaching an accord with the International Monetary Fund.

This has been thrown further into doubt by Mr Bresser Pereira's resignation, as has the progress of Brazil's negotiations with the banks on a medium-term financing plan, which will resume in January.

The first drawdown on the interim package will take place before the year-end, when Brazil will repay to banks $1.1bn covering interest payments on the medium and long-term debt for October, November and the first half of December. One third of this will come from Brazil's reserves. The remainder of the December interest will be repaid in January.

The payment of interest should allow US regulators to avoid a downgrading of Brazilian loans in bank portfolios.

Way cleared for battle of wills over the future of Britoil

BY MAX WILKINSON, RESOURCES EDITOR

THE WAY was cleared yesterday for a battle of wills between British Petroleum and the UK Government over the future of Britoil, the UK independent oil company.

The takeover panel, the referee for City of London transactions, ruled that BP should be allowed to go ahead with its £2.27bn bid for Britoil even though the Government says it will use its special voting rights to prevent any bidder from winning control.

After the panel's ruling, the Treasury repeated that it would use the so-called "golden share" to prevent a transfer of control. This share, created when Britoil was privatised in 1982, gives the Government a majority of shareholders' votes in the event of a takeover.

BP responded quickly by welcoming the ruling that its offer of 450p a share could go forward. Although it is seeking further talks with the Govenemnt and with Britoil, there was little doubt yesterday that BP's offer would proceed.

Sir Peter Walters, the chairman, said the Government's statement did not prevent BP from seeking to gain 100 per cent of the share capital; and he issued a covert warning that ministers should not expect to use the golden share for spoiling tactics.

"If BP is successful with the offer, the Britoil board will have a responsibility to run the company constructively," he said.

BP appears to be calculating that the Government would not dare to challenge the interests of a major new shareholder provided its behaviour were seen to be reasonable. It has therefore said that it would maintain Britoil's Glasgow headquarters building as a centre for the whole of an enlarged BP's North Sea operations. It has also indicated that it would not wish to make a major reduction in Britoil's present staffing.

In spite of these assurances, Britoil's management appeared less than enthusiastic about the bid. It issued a statement noting "with interest" that Atlantic Richfield of the US had increased its stake in Britoil to 20.4 per cent.

After BP opened the contest earlier this month with a £225m "dawn raid" on Britoil's shares at 300p a share, Britoil and Arco reached an agreement which would have given the US oil major 20 per cent of Britoil's equity in exchange for Arco's oil assets outside America. Arco said it intended also to build up an additional 29.9 per cent stake through purchases.

Arco is now expected to await the formal issue of BP's offer document early in the New Year before deciding its next move. Although Arco has said it would consider mounting an all-out bid, it remains to be seen whether it would be prepared to offer a direct challenge to the wishes of the UK Government.

In its detailed ruling published yesterday, the Takeover Panel said BP's offer should be allowed to go ahead so that ordinary shareholders could consider the BP move on its merits. It said the circumstances were "highly unusual"

The Treasury declined to shed any light yesterday on the details of how the special share might be used in the event of a successful bid.

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ZIMBABWE MERGER HAUNTED BY TRIBAL ARITHMETIC

Prime Minister Robert Mugabe, ready to move into the future 'hand in hand' with Zapu, Page 12

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OVERSEAS NEWS

Markets likely to challenge dollar

AN absence of new policy pledges to ease global economic strains makes it only a matter of time before the foreign exchange market challenges the Group of Seven's renewed determination to defend the dollar, US dealers and economists said yesterday, Reuter reports from Washington.

"It seems to me that they declared victory and went home," Mr Steve Cerier, foreign exchange analyst at dealers McCarthy Crisanti and Maffei, said of the G7 communique.

"One bad (US) trade number could just demolish this communique completely," Mr Cerier said.

Few analysts had expected the dollar to rise much if at all in the foreseeable future because of the huge US trade deficit, which is almost certain this year to surpass the 1986 record of $156.

But the G7 warning is likely to deter any investors who had been thinking of buying dollars. "If they're threatening us with the risks of a higher dollar, who's going to buy?" one New York trader asked.

Washington's willingness to seek stable exchange rates represents a change in policy by the US, which sacrificed the dollar after October's stock market crash rather than keep interest rates high and risk a recession.

But the G7 communique suggested that the Reagan Administration would be unwilling to raise interest rates in the election year that lies ahead. The group said central banks should aim for strong economic growth by making sure businesses and consumers have no difficulty borrowing money.

Washington made no new commitments to reduce its budget deficit beyond the $76bn in savings contained in the legislation that President Reagan signed on Tuesday.

Reagan Administration officials are confident that the new agreement will work because they believe, despite the market's scepticism, that significant policy adjustments have been made this year.

FULL TEXT OF GROUP OF SEVEN STATEMENT

G7 calls for further action on imbalances

James Baker

Nigel Lawson

Gerhard Stoltenberg

Kiichi Miyazawa

1. THE Finance Ministers and Central Bank Governors of seven major industrial countries have conducted close consultations in recent weeks on their economic policies and prospects in thelight of developments in financial markets. They reaffirmed their conviction that the basic objectives and economic policy directions agreed in the Louvre Accord remain valid and provide for positive development of the world economy. They will continue to carry forward their economic policy co-ordination efforts in 1988 under the arrangements endorsed at the Venice Summit.

2. The Ministers and Governors re-emphasised their view that the major external imbalances in the world economy must be corrected. The policies which have been implemented this year are gradually showing the intended effects. In particular, the balance between domestic demand and output in the United States and in Japan and West Germany has shifted in a direction which promotes external adjustment and in volume terms their trade imbalances are diminishing.

The greater stability of exchange rates achieved for much of the past year, following the earlier substantial exchange rate changes over the past few weeks, however, stress the need to strengthen underlying economic fundamentals and to continue policy co-operation.

3. Developments in stock markets since mid-October may have some adverse effect on prospects for economic growth for the industrialised countries as a group. The ministers and governors believe, however, that with sound economic policies and effective co-ordination the rate of growth should be substantial. To this end they agreed that appropriate policies for strengthening non-inflationary growth in their countries are necessary.

4. Accordingly, the ministers and governors agreed to intensify their economic policy co-ordination efforts. Their common efforts are directed towards reducing external imbalances. In particular, the United States has secured Congressional action to implement the agreement between the President and the bipartisan Congressional Leadership on a two-year package of additional budget savings that will reinforce progress in reducing the budget deficit.

Japan has implemented a major stimulus programme to strengthen domestic demand and will see to it that in the FY 1988 budget the expenditure for general public works will not be less than that for the FY 1987 budget including the July supplemental.

West Germany is supplementing the previously announced increase in tax reductions in 1988 with new measures to increase investment and will not seek to offset the budget revenue losses arising from recent developments. There have also been co-ordinated reductions in interest rates in Europe which should contribute to the expansion of domestic demand and reduce trade imbalances. The specific policy intentions and undertakings by each country are set forth in the annex to this statement.

5. The ministers and governors are of the view that the recent monetary policy decisions and the reduction of interest rates in some countries were appropriate and will contribute to a restoration of stability to financial markets. They agreed that monetary policies should continue to achieve strong economic growth in the context of price stability as well as to foster financial market stability.

6. The ministers and governors strongly rejected protectionist measures as a means of dealing with present imbalances. Protectionism constitutes a direct and seriousdanger to world prosperity and equilibrium and would have harmful consequences for those countries which resort to it. They reaffirmed their determination to fight protectionism and to promote an open world trading system.

7. The ministers and governors believe that the reduction of world trading imbalances requires co-operative action by other countries, particularly those with surpluses. They expressed particularly serious concern that some newly industrialised economies have failed to take adequate action to deal with large and growing trade surpluses which are exacerbating global imbalances and fostering protectionist pressures.

They urged the newly industrialised economies to implement without delay trade and exchange rate policies that will facilitate the reduction of excessive trade surpluses and allow their currencies to fully reflect the strong competitive position of their economies.

8. The ministers and governors agreed that either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilising to the adjustment process, could be counter-productive by damaging growth prospects in the world economy.

They re-emphasised their common interest in more stable exchange rates among their currencies and agreed to continue to co-operate closely in monitoring and implementing policies to strengthen underlying economic fundamentals to foster stability of exchange rates. In addition, they agreed to co-operate closely on exchange markets.

The ministers and governors stressed the need for consistent and mutually supportive policies and believe that the measures being taken will accelerate progress towards the increased, more balanced economic growth, and sustainable external positions necessary for greater exchange rate stability.

Annex: Policy Intentions and Undertakings

Canada: The Government's fiscal strategy has succeeded in achieving a drop in the rate of growth of its spending and substantial, on-going declines in the budget deficit. Marked progress has been made in slowing the growth of debt, and towards the medium-term objective of stabilising the debt-to-GDP ratio. Fiscal restraint has been accompanied by impressive growth of domestic demand, output and employment.

Major structural initiatives directed at enhancing competitiveness and the underlying potential of the economy have been undertaken, particularly tax reform and the negotiation of a free trade agreement with the United States. Monetary policy remains geared to non-inflationary growth in a climate of orderly exchange markets.

France: The Government has fully met its commitment to reduce its fiscal deficit and tax burden. The fiscal deficit will be reduced by 0.8 per cent of GNP from 1986 to 1988. Over the same period of time, tax cuts will amount to 1.3 per cent of GNP. A further reduction of FFr45bn in the fiscal deficit and an additional FFr45bn in tax cuts are scheduled in a 1989-1991 three-year programme which will be implemented in the yearly budgets.

The privatisation programme decided upon in early 1987 is being carried out, and its initial objectives have even been surpassed. The full implementation of the programme will be resumed as soon as market conditions permit. The French Government will continue to pursue its adjustment and liberalisation policies. New measures to sustain household savings, develop financial markets and improve the competitiveness of firms have been taken. Additional steps will be taken in the same direction in 1988.

West Germany: The Government has increased the amount of the tax reduction for 1988 and beyond to about DN14bn, and will not seek to offset the budget revenue losses arising from recent developments. In addition, the necessary decisions have been taken for the structural tax reform with a further net tax reduction of DM20bn from 1990 onward.

In order to strengthen private and public investment, the Federal Government will provide special loans for the next three years of about DM21bn under preferential conditions. Moreover, it will accelerate investment in telecommunication infrastructure and take initiatives for further deregulation of markets. The Bundesbanke has reduced short-term interest rates substantially during the last few weeks. Monetary policy will continue to maintain appropriate conditions for sustained non-inflationary growth.

Italy: The Government of Italy, in the context of continuous significant growth, has taken temporary measures to halt the deterioration of the balance of payments due to a higher rate of domestic demand in Italy than in other industrialised countries. For 1988 the objective embodied in the Finance Bill is to maintain a relatively high level of growth and to reduce inflation, while making progress in correcting the public sector imbalance.

In the medium-term, to alleviate unemployment the Italian authorities intend to achieve satisfactory rates of growth while maintaining the balance of payments current account in substantial equilibrium, to stabilise the debt/GDP ratio, and to devote more resources to the financing of productive as well as infrastructural investments, thus improving the quality of public services.

Japan: The Government noted that the Japanese economy is in a vigorous expansionary phase, led by domestic demand growth. The Government will steadfastly continue implementing the six-trillion yen-plus package decided on last May, and will see to it that in the FY 1988 budget the expenditure for general public works will not be less than that for the FY 1987 budget including the July supplemental. The Bank of Japan will follow an appropriate and flexible monetary policy supportive of non-inflationary growth and exchange rate stability.

UK: The Government, in the context of the British economy's continued vigorous growth of output and domestic demand, coupled with sound public finances, will continue to strive to reduce inflation by pursuing a prudent monetary policy, while increasing its capacity for non-inflationary growth by further measures designed to free the operation of markets and increase the efficient use of resources, including tax reduction and tax reform.

Public expenditure will continue to increase less rapidly than the growth of the economy as a whole, and the Government will continue to work for the dismantling of barriers to trade both within the European Community and in the context of the Uruguay round of the GATT.

US: The Government has secured Congressional action to implement the agreement between the President and the bipartisan Leadership of the Congress on a two-year package of budget savings to reduce the U.S. budget deficit. This agreement provides for total budget savings, through a combination of spending restraint and increased taxes, in fiscal 1988 and 1989 of approximately $76 bn.

The budget agreement is part of an ongoing process of deficit reduction provided for under the revised Gramm-Rudman-Hollings legislation. It will reinforce the progress already achieved in reducing the deficit (including a fiscal 1987 cut of $73 bn or 1.9 percent of GNP) that has brought the deficit down to 3.4 percent of GNP from a peak of 6.3 percent.

The Administration will also continue to oppose steadfastly protectionist trade measures, while working for legislation authorising negotiations to foster a more open and fair system for the international exchange of goods, services and investment.

UK suffers setback on exchange rate policy

By Philip Stephens

"INTERNATIONAL co-operation is very much alive and well," Mr Nigel Lawson, the UK Chancellor of the Exchequer, said yesterday after the Group of Seven statement.

He tacitly acknowledged, however, that hope of stabilising the dollar would depend on a firm US commitment to concerted action – a pledge distinctly absent from yesterday's communique.

At the same time, Britain's policy of pushing for a more formal system of "managed floating" of exchange rates has clearly suffered a setback. The experience of the last few months has persuaded not only the US but also West Germany that pragmatism is more important than theory in exchange rate management.

Mr Lawson has been among the most insistent in public that the success of cooperative efforts to prevent the US currency from overshooting could be successful only if Washington were prepared to raise interest rates.

He repeated that view yesterday. The US had joined in the call for a halt to the dollar's slide and "it is now encumbent on them (the US), in concert with other countries, to back that by action".

Britain's policy pledges in the statement are limited to a general re-affirmation of the Government's present strategy of promoting strong growth in the economy without allowing inflation to accelerate.

Taking a medium-term view, the dollar was probably already undervalued but, for the nearer future, "the question is – how determined is the US. That will be no doubt seen in coming weeks and months. In particular, (the US) will sooner or later have to be prepared to raise its interest rates".

The Chancellor, however, gave no sign that he had received any assurances from the US administration that it had changed its view.

Tokyo looks to home growth

BY IAN RODGER IN TOKYO

THE FISCAL obligations agreed by Japan in the G7 statement do not appear to pose any problems for the Government.

The only concrete demand was that the Government not reduce its public works spending in the next fiscal year below last year's level. The Government's draft budget, approved in general by the Cabinet yesterday, provides for a public works budget next year identical to that for this year.

The Government has also agreed this week to maintain its expansionary fiscal stance, seeking a robust economic growth rate of 3.8 per cent in the 1988-89 fiscal year, slightly greater than in the current year.

In keeping with its commitment to reduce its huge trade surpluses, Japan is continuing to put the emphasis on stimulating domestic demand rather than export growth.

The Government expects domestic demand to grow more quickly than the economy as a whole, both this year and next year, and external demand to grow more slowly.

Mr Satoshi Sumita, Governor of the Bank of Japan, said that the main purpose of the statement was to make clear that a further decline of the dollar would be counterproductive for the world economy.

However, Japanese officials accept that the dollar should not appreciate. Mr Kiichi Miyazawa, Finance Minister, said the the present level of about $1 to Y125 should be regarded as the lower allowable limit.

The dollar closed unchanged at Y126.55 in Tokyo's foreign exchange market yesterday, but dealers were disappointed with the statement and predicted that the US currency would continue to weaken in the next few days.

"The statement was not clear, so we think the market will react adversely," a Japanese bank dealer said. He said trading was likely to be light for the next few days because of the holiday season, but expected the dollar to fall through the Y120 level early in the new year. Another dealer said the Y120 level could be breached as early as next week.

Paris keeps up pressure on Bonn to boost growth

BY GEORGE GRAHAM IN PARIS

FRANCE is keeping up its pressure on West Germany to boost internal demand by further tax cutting measures, despite the agreement on a joint statement by the Group of Seven industrial nations.

French finance ministry officials have welcomed the recent reductions in West German interest rates, which have allowed the Bank of France to undertake coordinated rate cuts, but still believe that Bonn must do more to stimulate economic growth through its fiscal policy.

Aides to Mr Edouard Balladur, the Finance Minister, feel, nevertheless, that the G7 statement should quell the impression in financial markets that the US no longer wanted to go along with the coordinated policy started by Louvre Agreements between G7 ministers in February, as well as the impression that the US still wants the dollar to fall further.

Senior French economists fear, however, that yesterday's G7 statement will appear too half-hearted to convince the markets that central banks would resist any further dollar decline.

Mr Jacques de Larosiere, governor of the Bank of France, warned last week that the decline of the US currency had already begun to cause export difficulties in severalcountries.

Mixed W German reaction

BY ANDREW FISHER IN FRANKFURT

THE GROUP of Seven statement received a largely unenthusiastic reception yesterday in West German financial markets, where business was slack before Christmas. But opinion outside the Government was not wholly negative, with some economists welcoming a concerted view, at least, from the G7 states.

In Frankfurt, the dollar managed a modest advance to DM1.6440 after the statement. But it was later fixed at DM1.6375, against DM1.6305 on Tuesday. Stock market reaction was also lukewarm, with share prices mixed. Dealers said the statement in essence contained nothing new.

Mr Norbert Walter, senior economist at Deutsche Bank, said of the G7 document: "It's just along the lines everyone expected and as unexciting as everybody expected. There are no surprises." Much would depend now on the next set of US trade figures, which should show an improvement after the poor set in October.

He thought that currencies should become more stable, as progress was made in cutting the US deficit. "We are possibly seeing the dollar at its trough these days."

Ms Ute Geipel, head economist of Citibank AG, said the statement showed an awareness of the economic problems that needed to be tackled. "At least, there is a minimum consensus among individual countries that the dollar should not be allowed to fall too fast. A few weeks ago, it looked as though the US was not interested in keeping its currency stable."

She expected a further fall in the dollar, but felt the G7 message would provide some support. Showing that the reduction of world imbalances still has some way to go, West Germany yesterday announced a November trade surplus of DM11bn ($6.7bn), making a total of DM105bn (DM101bn) in the first 11 months. The current account surplus was DM10.3bn, making DM71bn (DM70bn) for the year to date.

William Dawkins reports on proposals to reduce overcapacity in a key industry

EC ministers stoke up more steel cuts

THE EUROPEAN Community's 12 industry ministers have delivered to their steel industries a grim, though not unexpected, Christmas package.

Its main contents are the likely loss of more than 100,000 jobs, an all but definite timetable for the end of the output controls which have helped to buffer the industry against competition for the past seven years, and an inevitable decline in prices for the 60 per cent of steel output now protected by EC controls.

Those are the expected consequences of a landmark accord reached on Tuesday night by a ministerial meeting in Brussels. The ministers were faced with the uncomfortable choice between accepting a European Commission plan for phasing out production controls in steps between now and the end of 1990 or scrapping them entirely on January 1, an event which would have plunged the industry into an deeper crisis.

In the event, they accepted a slightly toned-down version of the Brussels plan – a qualified victory for Eurofer, the group of the main integrated steelworks which has been trying hard for 18 months to delay liberalisation, but a bigger victory for the Commission's attempts to end a quota system that many accept has insulated steel producers from the need to cut 30m tonnes of overcapacity.

EC steel output controls were established in 1980 to give steelmakers a firm base while they restructured their way out of recession. To win support from Brussels for a reintroduction of open competition, the steel industry was forced this week to come forward with promises to shut 20.7m tonnes of surplus capacity – a big increase on its most recent offer and likely to lead to the loss of well over 100,000 jobs.

The detail of these sacrifices is being kept confidential until the Commission's June 10 deadline for firm guarantees of closures, but they are thought to come mainly in West Germany, France, Italy and Belgium. The UK is steadfastly refusing to offer any cuts, even though the Commission is known to feel that Ravenscraig's future should not be guaranteed.

The first impact of the agreement will be to end quotas on January 1 for merchant bar, a raw material for a wide range of engineering customers, as well as for wire rod, mainly used in the construction industry, and fencing wire, both sectors where prices are already declining.

Next to come out of the system, on July 1 next year, is likely to be hot rolled coil, representing more than a third of overcapacity and made by the largest and most politically sensitive integrated producers in Europe.

The Commission is prepared to consider extending quotas for hot rolled coil for an undefined period after July 1, if it gets firm guarantees for 7.5m tonnes of cuts by June 10, though that looks unlikely in view of the fact that the latest offers from the industry, for up to 5.8m tonnes at best, fall a long way short.

The impact on prices for hot rolled coil, the biggest customer for which is the car industry, is harder to gauge. Demand is now heavy, in line with the car industry's upswing, so that some car makers are having to wait up to 14 weeks for deliveries, nearly twice as long as normal. That suggests that prices should be unmoved by the EC agreement, but industry forecasts for a slump in car sales next year could soon change that.

The remaining two categories to come out of quotas – heavy plate, mainly used in shipbuilding, and heavy sections, sold to the construction and offshore industries – are less controversial.

In the meantime, however, quotas for all products still in the system will be raised by 2 per cent above what the Commission would normally be proposing on the basis of its view of the market for the second quarter of next year. That should put a further dampener on prices.

Scotland's Ravenscraig plant could be under threat

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Argentinian officer in storm on human rights promoted

BY OUR BUENOS AIRES CORRESPONDENT

PRESIDENT Raul Alfonsin of Argentina has promoted Lieutenant Alfredo Astiz, a naval officer accused of human rights crimes under the military rule that ended in 1983, but insisted that the officer leave active service.

Lt Astiz, 37, has been named in connection with the disappearance in 1977 of 13 people, including two French nuns, a founder of the Mothers of the Plaza de Mayo human rights group, and Miss Dagmar Hagelin, a woman with Argentine and Swedish citizenship.

He has become a symbol for both critics and sympathisers of the violent crackdown in which at least 9,000 people vanished after the armed forces took power in 1976.

Mr Alfonsin announced the promotion of the lieutenant to lt-commander in an official decree after intense pressure from the navy, which claims the officer has been cleared of all charges.

In an attempt to accommodate criticism from human rights activists, who argue that the officer's innocence has not been established, the president instructed Mr Horacio Jaunarena, the Defence Minister, that Lt Astiz "must not remain on active duty."

The promotion was backdated to the end of 1985, as the navy wished, but it was unclear when this would go into effect, and doubts also remained about the exact implications of the orders given to the minister.

The man at the centre of the storm which has obsessed Argentina for many weeks was still at his post yesterday on a missile destroyer at the navy's biggest base, Puerto Belgrano, 700 kilometres south of the capital.

Naval officials denied they had received any instructions from Mr Jaunarena. Critics warned that the navy's promotions board might not meet to discuss the officer's future until the Argentine holiday season ends next March, and some suggested the officer might find himself "at the disposition" of his superiors, or on reserve, more or less indefinitely.

A court freed Lt Astiz in the Hagelin case just over a year ago, invoking the statute of limitations without pronouncing whether he was guilty or not. He has since been absolved under the "due Obedience" law passed by Argentina's Congress last June, less than two months after the Easter uprising by army officers opposed to human rights trials.

Congress curbs surprise companies in S Africa

BY JIM JONES IN JOHANNESBURG

MOST of the 168 US companies still operating in South Africa appear surprised by the speed and ease with which the US Congress passed legislation on Tuesday to remove double taxation relief.

The legislation, tagged onto the Deficit Reduction Finance Bill, takes effect on January 1 with no grace period.

From then, companies will not be able to offset tax paid by subsidiaries in South Africa against their tax liabilities in the US.

In South Africa it is estimated that the loss of double taxation relief could impose an additional annual tax burden of between $20m and $30m on companies still here.

In Johannesburg yesterday Mr Adrian Botha, the executive director of Amcham (American Chamber of Commerce), expressed surprise at the way in which the punitive tax measure had been "slipped unexpectedly" into the deficit reduction bill voted by the Senate and the House of Representatives.

Although 100 or so US companies have divested in the past two years, the remaining companies have South African assets worth about R2bn ($350m).

The two largest are Mobil and Caltex, which operate oil refineries in Durban and Cape Town.

In Johannesburg yesterday stockbrokers said there would be little difficulty selling the entire residual US investment to cash-flush local companies.

Also, businessmen believe further divestment will have no material effect on the South African economy if trading and technical links are maintained between the US parent companies and their local offshoots.

Airlines warned to scrap route sharing schemes this year

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday warned 13 leading airlines that they must scrap restrictive route-sharing practices by January 1 or face the consequences of tough new air liberalisation rules.

When the new rules come into effect, Commission officials for the first time will have the power to stage unannounced "dawn raids" on airlines thought to be working under anti-competitive agreements. The airlines involved have already promised to reform their inter-company agreements in line with a more liberal regime finally agreed by European Community member states this month.

"Although these negotiations are said to be at an advanced stage, most of the original agreements remain in force," the Commission said yesterday.

The Brussels authorities will be able to seize documents and records from any company believed to be failing to observe the aviation package, which outlaws many restrictions on the availability of discount fares and the 50-50 capacity sharing deals.

"In order to ensure rapid implementation of the aviation package, the Commission has informed the the airlines that it will take all appropriate action under its new powers, in respect of any airline agreements which remain legally in force after 1 January 1988 and which contain provisions incompatible with the new package," the Commission said yesterday.

The airlines to have received the written warning are Aer Lingus, Air France, Alitalia, British Airways, British Caledonian, Iberia, KLM, Lufthansa, Luxair, Olympic Airways, Sabena, SAS and Air Portugal. Most of these were the subjects until recently of a Commission legal action designed to force them to fall in line with EC competition rules. However, Brussels dropped that suit two weeks ago following member states' agreement on the package of airline reforms.

Airport construction to cost $150bn

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MORE THAN $150bn will be spent world-wide between now and the end of this century on building airports or enlarging existing ones, to cope with the expected growth of world air travel.

Of this total, the US will contribute some $25bn, via its National Plan for Integrated Airport Systems, while Japan will contribute about another $20bn.

But according to a world airport development survey in the journal Airports International, these are conservative, "official" figures, "and the true costs of airport expansion will be much higher during the coming years, not only as the price of concrete increases, but also as more high-technology systems are used in airports".

The journal points out that governments world-wide are slowly coming to realise that they ought to start building large new airports if traffic growth rates – fuelled by liberalisation policies – are to be sustained.

It says that there are now at least 11 large new airports in the pipeline. These include Munich, Oslo, Athens, Sydney, Stansted (UK), Denver (US), Shenzen (China), Kansai (Japan), Al Ain (Dubai), and others in Paraguay and Saudi Arabia.

In addition, there are scores of other airports which are being enlarged and modernised, and plans for other big new airports not yet finalised, such as the proposed replacement for Hong Kong's Kai Tak.

"It is not, however, enough", says Airports International, and the new airports will come too late to solve the problems of congestion which will confront airline and airport operators in 1988.

"In 1988, there will most probably be a rapid expansion of 'medium-sized' hubs at provincial cities throughout much of the developed world. This will happen because there is no more room at large airports for carriers to start new hubbing operations", the journal says.

Caribbean support withdrawn

BY CANUTE JAMES IN KINGSTON

FIVE Caribbean countries which said a fortnight ago they were supporting the plan by Haiti's military-led Government to stage elections next month, have withdrawn their support, amid indications of a rift between governments of the region on their approach to developments in Haiti.

The prime ministers of the five countries – Jamaica, St Lucia, St Vincent, The Netherlands Antilles and Aruba – recently visited Haiti, and subsequently spoke of agreement from the Haitian army to provide security for next month's election, after the army had stood by while soldiers and armed gangs murdered 34 people before an earlier effort at voting was aborted on November 29.

The statement of the group, led by Mr Edward Seaga, Prime Minister of Jamaica, was taken as tacit support for Lt Gen Henri Namphy, the Haitian leader. The Caribbean position was attacked as being more than tacit support for the army, which planned to influence the outcome of the elections.

Mr Seaga said the recent decrees changing the voting system in Haiti were "unacceptable" to the Caribbean group, and that the military government had been told of this.

The failure of the five countries to influence Haiti's army leaders has created rifts within the Caribbean economic community, the 13-nation grouping of the English-speaking countries of the region.

Mr Ray Robinson, Prime Minister of Trinidad and Tobago, said he was unaware of any Caribbean initiative on Haiti, and that efforts to establish a regional policy had not been supported by Mr Seaga.

The Jamaican leader said, however, that Mr Robinson had been told of the developments, but had not responded to the correspondence.

The support to the ruling council in Haiti was a faux pas of the highest order," said one diplomat in the region. "It was strange that these five countries adopted a policy so very different from that of their colleagues and from the rest of the world. There was surprise that this group was giving support to the Haitian military's plan to manipulate the voting."

Mitterrand rules out Gulf withdrawal

FRENCH President Mr Francois Mitterrand yesterday ruled out any quick withdrawal of France's naval task force from the Gulf region despite a thaw in his country's relations with Iran, Reuter reports from Djibouti.

He said that the task force's mission over the past five months had been to protect shipping in the region. "That mission is being carried out very well. But it is not over. The war continues and we are trying to contribute to the process of peace, to bring an end to the Iran-Iraq war."

France has about 30 ships, or roughly one third of its navy, in the Gulf region and Indian Ocean to protect French shipping in the hazardous waterway.

The Clemenceau, pride of the French navy with about 40 warplanes aboard, was sent in July at the height of a diplomatic stand-off with Tehran.

Mr Mitterrand said in Djibouti after returning from the carrier that the French naval force would remain in the Gulf region as long as was necessary.

The French President visited the 30,000-tonne Clemenceau during a 24-hour visit to Djibouti. The visit comes at a time when France's policy in the Gulf is under scrutiny after the controversial hostage deal with Iran.

The deal led to the release of two French nationals held by a pro-Iranian group in Lebanon and had raised speculation that France might be planning to withdraw its naval task force from the Gulf as part of the hostage deal.

Mr Mitterrand ruled this out. "The presence of the French fleet is not at all linked to relations between Iran and France," he said. "We must not mix the questions."

He also ruled out the sale of French arms to Iran as part of any deal.

Asked what France was doing to obtain the release of about four French hostages still believed held in Lebanon, Mr Mitterrand said France had a duty to do everything possible to free them.

Kenya recalls more Uganda diplomats

KENYA withdrew four more diplomats from its High Commission in Uganda yesterday in a further move to downgrade relations with its landlocked neighbour after last week's border clashes, **Reuter reports from Nairobi.**

Foreign ministry sources said a fifth Kenyan diplomat would quit Uganda later this week, leaving a staff of only five low-level diplomats at the high commission in Kampala.

Kenya withdrew its high commissioner and his deputy from Kampala last week and expelled Uganda's two top diplomats in Nairobi after three days of border clashes.

Kenya also expelled 15 Ugandan trade officials from the port city of Mombasa, Uganda's main outlet to the sea.

A senior foreign ministry official said that Kenya would probably not seek a further reduction of Uganda's diplomatic staff in Nairobi after reducing its own mission in Kampala.

The Kenyan diplomats who left Uganda on Wednesday were the press attache, an administrative attache and two diplomatic secretaries. The acting high commissioner in Kampala will return to Kenya overland later this week.

Earlier, 50,000 demonstrators marched through Kampala yesterday to protest against what Uganda said were moves by Kenya to isolate this land-locked country following border clashes last week.

Thousands of people streamed into Kampala in lorries, on bicycles and on foot yesterday morning to join the march from Nakivubo Stadium to Uganda's parliament building.

The march was called by city authorities and leaders of the powerful Baganda tribe whose members control the rich coffee-growing area around Kampala.

Relations between conservative Kenya and left-wing Uganda have been deteriorating for more than a year and worsened last week when at least 15 people were killed in cross-border shooting.

Residents at the Kenya-Uganda border said that the Malaba frontier post was open for vehicle traffic yesterday for the second day running but few trucks were passing through. Most were carrying goods to and from Rwanda, Burundi and Zaire, which also rely heavily on Mombasa for their trade. Little if any Ugandan cargo appeared to be moving, the residents said.

Traffic was still not moving across the other main border crossing at Busia, where the clashes broke out on December 13, and officials in the Kenyan town of Kisumu on Lake Victoria said there was no indication when rail ferry services might resume across the lake between Kisumu and the Ugandan town of Jinja.

Peru central bank hit by guerrilla car bombing

GUERRILLAS exploded a bomb in a car outside Peru's central bank, and four rebels and an army sergeant were killed in jungle clashes, Peruvian police and military said yesterday, **Reuter reports from Lima.**

The 90lb (40Kg) dynamite bomb, which police said was planted by Tupac Amaru Revolutionary Movement (MRTA) guerrillas, exploded on Tuesday night damaging several cars and blowing out the bank's windows. There were no injuries.

It was the second MRTA car bomb in Lima in four days and went off only 200 yards from the foreign ministry and five blocks from the presidential palace. An MRTA car bomb exploded outside a complex of police stations on Friday night, injuring three passersby.

Meanwhile, four MRTA guerrillas and an army sergeant were killed and two soldiers were wounded in a series of clashes on Tuesday, according to a military communique from the jungle city of Tarapoto in northern Peru.

The communique said the clashes took place in the hills of northern San Martin, where a 150-strong MRTA column occupied a town of about 15,000 people in November.

The MRTA, named after an Indian rebel leader in the Spanish colonial era, has operated mainly in Lima since it emerged in 1984, concentrating on bombing Western embassies and business interests.

The larger rebel group, the Maoist Sendero Luminoso (Shining Path), whose seven-year-old insurgency has cost some 10,000 lives, also operates in San Martin, and the area is a centre for illicit cocaine production in Peru, which provides the raw material for half the world's supply of the drug.

Japan to keep up expansion for further year

BY IAN RODGER IN TOKYO

JAPAN HAS committed itself to maintain its expansionary fiscal stance for another year, hoping this will ease tensions between it and other leading industrialised countries.

Ministry of Finance officials said the 1988-89 draft budget, published yesterday, was designed for Japan to achieve its robust economic growth target of 3.8 per cent in real terms in the next fiscal year.

It was thus in line with Japan's commitments under economic policy co-ordination agreements with other leading industrial countries, and officials were confident that it would not be criticised by those governments. "I think the fact that we are maintaining our spending at a high level will be appreciated," an MoF official said yesterday.

"I think other governments will also appreciate that our economic growth will be higher next year than this year, as well as being higher than in other developed countries."

Officials would not say what the Government would do if it became apparent next year that Japan was falling significantly short of its 3.8 per cent growth target.

Mr Kiichi Miyazawa, Finance Minister, said at a news conference that he thought the target could be reached easily if the private sector continued to respond as expected to the Government's stimulative measures.

The Government expects private plant and equipment investment will rise 9.8 per cent next fiscal year against a forecast 7.1 per cent this year.

The draft budget, which will be approved virtually unchanged by the Cabinet next week, calls for overall spending of Y56,699.7bn (£244bn) in the fiscal year ending March 31 1989, compared with expected revenues of Y47,858.7bn. This will require deficit funding of Y8,841bn.

However, because of the unexpected buoyancy of tax revenues and the proceeds of privatisations, the Government has recently reduced its borrowing programme for the current year, and next year's deficit funding is expected to be 16 per cent less than that of this year. Japanese officials said the draft budget provides for a 4.8 per cent increase in total spending over that of this year.

This is misleading because it makes the comparison only with this year's initial budget.

- Japanese aid to developing countries will rise 3.5 per cent – less than in the previous two years – but the impact will increase because much of the spending is in dollars. Official development assistance will rise 5 per cent.
- Agricultural spending will tumble 19 per cent to Y438.1bn, mainly because of a reduction in the Government's support prices for rice.

US curbs anger Japanese business

By Carla Rapoport in Tokyo

JAPANESE government and business leaders yesterday reacted angrily to the news that the US plans to bar Japanese construction companies from public works projects and ban Toshiba products from US military bases.

"Shocking" and "unreasonable" were the terms most commonly applied to the move by Japanese officials yesterday.

The plan, which is part of the 1988 US budget that was finalised this week, is certain to raise the temperature between Japan and US government trade officials.

The US action was in retaliation against two separate complaints against Japan:

- The first concerns the lack of US access to Japanese public works projects. The move to ban Japanese companies from US projects is seen in Tokyo as a bargaining tactic. It is aimed to force the Japanese construction industry to change its bidding practices and to allow US companies to bid on an equal footing with Japanese companies.
- The ban on the sale of Toshiba products at US military bases is punishment for a subsidiary's illegal exports of strategic machine tools to the Soviet Union.

The moves will not significantly effect either Toshiba or the Japanese construction industry in terms of sales. Toshiba's sales to US military bases are negligible compared to the total sales and Japanese companies are already prevented from selling equipment to the US military.

Even so, both Toshiba and the construction industry see the move as having harmful repercussions. "I fear the impact will be very severe – not directly, but indirectly," said a Toshiba executive yesterday. "We cannot calculate the pyschological impact of this move".

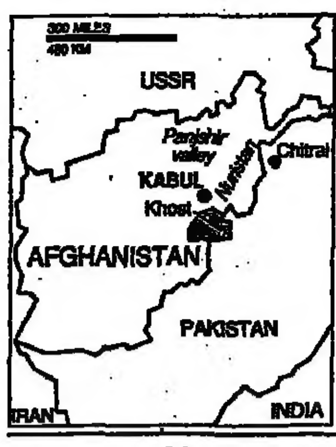
The Overseas Construction Association of Japan said yesterday: "Although the effect in figures will be small, in view of the international trade system, it is a big matter to exclude by name and criticise Japan."

Japanese government officials yesterday said they feared that the ban on Japanese construction companies could lead to similar measures being taken by US state and municipal governments.

Mujib Khan reports from Kuran-o-Munjan on a key victory for the Mujahideen

Russians battle to keep Afghan footholds

ON THE ninth anniversary of the Soviet invasion of Afghanistan, we publish an eyewitness report of the fall of one of the last Soviet-backed Afghan strongholds, the garrison of Kuran in the remote Panjshir Valley, to a Mujahideen group led by Ahmad Shah Masoud. The hand-written despatch was held up by a rival Mujahideen group in Afghanistan for some weeks before reaching the Pakistan town of Peshawar.



AT FIRST light a force of 530 Mujahideen began the attack on the garrison at Kuran, a key Government stronghold established by the Russians in 1982 to cut off the guerrillas' short supply route from Chitral in the north, and forcing them to use a 15-day supply line through the rough terrain of the Nuristan mountains.

The capture of the garrison, followed by the surrender of 300 Government militiamen in the Munjan Valley, means this essential supply route will again be open to the Mujahideen once the winter snows melt in the spring.

The loss of this vital garrison may also help to explain why the Russians recently mounted a big offensive to secure a garrison in the Khost region. They are known to be anxious not to lose all control in the rural and mountainous areas before any withdrawal agreement.

The guerrillas bombarded key positions within the Kuran garrison and then moved in, easily capturing many sections by 8 a.m. However, stiff resistance was encountered in a few areas, particularly around the houses, where fighting continued all morning. By 3pm the resistance was over, with the loss of 17 Mujahideen and 20 Government forces.

The Mujahideen forces had mortar, cannon, two launchers for US ground-to-air Stinger missiles and four of these missiles. As far as could be ascertained, the government forces comprised 242 men with mortars and 340 light arms. So far there have so far been no signs of counter-attack by the Russians, who have been deterred in recent months from making low-level air and helicopter gunship attacks by the combination of the mountainous terrain and the increasingly effective use of Stingers by the guerrillas.

Kuran is the fourth Soviet-backed garrison to be captured by Masoud's men during the past 16 months. Forqar fell in August 1986, followed by Naharin in October 1986 and Kalafgan in July this year. Also, the garrison at Posh-Gur, halfway up the Panjshir Valley, was abandoned by Soviet and Afghan forces in early September – their first withdrawal from an important garrison without being under direct attack.

This history of the Soviet campaigns in this region of Afghanistan underlines graphically the difficulties of occupying a country such as Afghanistan. Mr Mikhail Gorbachev, the Soviet leader, now appears anxious to end the occupation.

The USSR used 20,000 of its own troops and 10,000 Afghan soldiers in two offensives in the Panjshir in 1982, during which both sides suffered heavy losses. Masoud lost 1,500 men, compared with 500 lost in that region between 1979 and 1982.

By the end of 1982, the Red army had established several garrisons along the valley, but each was isolated with the troops unable to advance or retreat. They proposed a ceasefire, which Masoud accepted to enable him to regroup his forces so they could fight beyond the Panjshir.

The ceasefire began on March 23 1983, with the Soviet forces withdrawing and leaving a single garrison at Anawa, at the start of the valley. The Russians thought they had succeeded in splitting the Mujahideen groups by isolating Masoud, who they thought would be ostracised for agreeing to a ceasefire.

However, Masoud extended his influence into other regions and united with a number of other commanders to form the Shora-e-Nezar guerrilla group, which controls two zones covering Parwan, Kapsia, Bamian, the north of Kabul, Baghlan, Kunduz, Tikhar and half of Badakshan.

It has indirect influence over two more zones covering Laghman, Kunar, part of Jalalabad, the south-east of Kabul, Mazar, Samangan, Josjan and Fariah.

The Red army decided to return to the offensive in April 1984 to stop Masoud's influence spreading. But the Mujahideen, forewarned, evacuated Panjshir's entire civilian population of 100,000 to neighbouring areas two months beforehand. Several thousand Mujahideen crept out of the Panjshir two days before the offensive began. After several days of heavy aerial bombardment, the Soviet commanders landed commandos who discovered they had been attacking an empty valley.

Other Mujahideen groups throughout Afghanistan were ordered to launch co-ordinated simultaneous attacks to force the Russians to disperse their forces.

A similar eighth offensive failed later in the year, after which the Soviet forces adopted a defensive policy to try to maintain the garrisons established in the lower half of the valley.

The combined Afghan and Soviet forces have been under constant pressure, losing an estimated 20 men a day in the defence of these garrisons, which it has surrendered one by one until the final collapse at Kuran.

The Mujahideen claim to control about 80 per cent of the mountainous regions of Afghanistan. The Shora-e-Nezar is the not the largest group, but Masoud claims that, from operating with 20 men in 1979, he now has between 5,000 and 10,000 under his direct control, and between 25,000 and 50,000 in eight different provinces

Part of his strategy is to attract support from the civilian population through economic and social policies. Heavily bombed villages are being rebuilt, schools and medical clinics are being reconstructed and dirt roads laid.

This is designed to lead ultimately to a general mobilisation, by which civilians and the Mujahideen move together against the occupying forces.

THE Soviet Union confirmed yesterday that Afghan government forces, supported by Soviet troops had launched an offensive against Moslem rebels in an attempt to lift the siege of the eastern town of Khost, Reuter reports.

Mr Gennadi Gerasimov, Soviet foreign ministry spokesman, said the offensive, started on Monday, had caused 1,500 rebels' deaths in two days. They had failed to heed an ultimatum to withdraw from the road between Khost and Gardez.

Taipei braced for rally by opposition party

THE Taiwan Government is bracing itself for a demonstration by the opposition Democratic Progressive Party on Christmas Day - Constitution Day - during which dissidents will urge a re-election of parliament and the National Assembly.

The venue and form of the rally have been the focus of talks in recent weeks between officials of the ruling Nationalist Party and the DPP, which was formed more than a year ago despite the ban then clamped on new political parties.

The parties, as of yesterday, had failed to agree on points such as the number of participants and places where the demonstrators would congregate.

Parliament has so far not set rules governing organisations and assemblies - both of which were effectively legalised when the Government lifted nearly 40 years of martial law last July. But the Government wants to maintain relatively cordial relations with the opposition.

The Government has already set rejuvenation of both the National Assembly and parliament as immediate goals.

Currently, both bodies are dominated by ageing members elected nearly 40 years ago in China. By law, they cannot be replaced until free elections can be held in their mainland constituencies.

Syrian minister stresses continued ties with Iran

BY ANDREW GOWERS, MIDDLE EAST EDITOR

THE STRATEGIC alliance between Syria and Iran appears to be alive and well, despite Arab attempts to lure Damascus into changing sides in the Gulf war.

Mr Farouq al-Sharaa, the Syrian Foreign Minister, was in Tehran yesterday bearing a message to Iranian President Ali Khamenei from Syrian President Hafez al-Assad. He was quoted by the *Islamic Republic News Agency* thus: "Iran and Syria enjoy excellent relations and their amicable ties may not be undermined by hostile insinuations."

The visit follows tentative signs of a reconciliation between Mr Assad and President Saddam Hussein of Iraq at last month's summit of Areab leaders in Amman, the Jordanian capital. This led to Jordanian predictions of an imminent normalisation of ties between the two countries, and has been followed by a bout of shuttle diplomacy between Baghdad and Damascus by King Hussein of Jordan and Crown Prince Abdullah of Saudi Arabia.

However, the latest Syrian-Iranian exchange indicates that these moves have much further to go before any a genuine shift in the Syrian position. The visit comes at a particularly sensitive time, as Iran is by all accounts preparing for another big land offensive in its war against Iraq.

Although Mr Assad has indicated that he would be seriously concerned about any further Iranian seizure of Iraqi territory, it is far from clear that he is prepared to drop his long-standing rivalry for Arab leadership with the Iraqi leader.

On the contrary, Syria is still insisting that the main threat to the Arab world is not fundamentalist Iran but Israel – especially in view of the harsh Israeli handling of unrest in the West Bank and Gaza Strip over the last fortnight and the continuing tension in southern Lebanon.

- An Iranian frigate attacked the 269,296-tonne Liberian-registered tanker Stena Concordia with a missile yesterday in the southern Gulf, **Reuter reports from Dubai.**
- Gunmen shot dead two Syrian soldiers in Moslem west Beirut yesterday, in a fresh blow to Syria's military presence in Lebanon, **Reuter reports from Beirut.**

A storage tanker at Iran's Larak oil terminal was operating normally yesterday. A fire had engulfed its crew quarters after an Iraqi air attack, shipping sources said, Reuter reports from Dubai.

Pumps aboard the 411,588-tonne World Petrobras had resumed passing oil to a foreign tanker at the terminal at the mouth of the Gulf. The sources said two other supertankers hit in the attack – the world's biggest ship, the 564,739-tonne Liberian-flag Seawise Giant, and the 457,927-tonne British vessel Burmah Enterprise – were slightly damaged.

There had been confusion over the identities of the ships attacked. Shipping sources had named the tankers as the Liberian-flag World Petrobras, the Seawise Giant, the British-flag Burmah Endeavour and the Maltese-flag Free Enterprise.

The confusion occurred apparently because two of the ships were moored alongside the World Petrobras, which burned for nine hours before tugs extinguished the flames.

GCC to debate oil contingency proposals

By Fin Barre in Riyadh

THE SIX leaders of the Gulf Co-operation Council will hold a two-day summit in Riyadh at the weekend amid tight security. As the foreign ministers wrap up their preliminary meeting, the only concrete measure that stands a good chance of being accepted is an oil contingency plan to help those members whose oil facilities are damaged by foreign countries or saboteurs.

The GCC - which groups Saudi Arabia, Kuwait, Bahrain, Oman, the UAE and Qatar - is proposing a system whereby member countries will "lend" a country oil to make up for lost production. The move follows Iranian silkworm missile attacks on Kuwait's loading terminals, although the council wants to avoid antagonizing the Iranians.

With Iraqi Deputy Premier and Foreign Minister Tareq Aziz arriving in the Kingdom just two days before the summit, it is obvious that the Iranian threat is the major consideration facing the Gulf leaders.

Diplomatic sources say the leaders will generally discuss economic topics, such as ongoing tariff and trade talks with the EC and the US. Protective duties against GCC petrochemical, plastics and chemical fertilizer exports are worrying the council.

Dutch soft loan for Indonesia

INDONESIA has signed a FL.50m (£14.9m) soft loan with the Netherlands, the official news agency reported in Jakarta yesterday.

The loan is to be used to finance imports and the local rupiah costs of Dutch development projects in Indonesia, although the report failed to spell out the terms. Such funding is normally repaid over 25 years with seven years' grace and interest due at 3.5 per cent.

At a time of shrinking revenues from oil, the main export, Indonesia's agreement with its former colonial power is a welcome boost. It comes 10 days before President Suharto is due to present his 1988-89 budget to parliament. Calls for local cost financing, resisted by some countries, have been supported by the World Bank and Indonesia's principal bilateral donor, Japan.

Earlier this year Japan agreed a $900m semi-concessionary loan not tied to the purchase of Japanese products to be used for local costs on World Banks projects which might otherwise have been shelved. Utilisation of the loan, which was immediately disbursable, expires in April.

However, Indonesia is expected to take up the full amount, before the expiry date. Japan is reportedly considering a further untied loan to Indonesia as part of moves to offload its huge trade surplus.

Shortage of such local cost funding has in the past meant delays to development projects. The UK for example, which signed a £140m soft loan last year, continues to resist the Indonesian Government's demands, with the result that some of the eight designated projects still await final signing.

Izmir invites bids for city water project

By David Barchard in Ankara

DESPITE the expected cutback in new public works contracts in Turkey in 1988, new tenders continue to be announced.

The Izmir Water and Sewerage Authority, Izsu, will invite bids in February for a major water supply scheme for the city involving nine major contracts and five different stages.

The project has been prepared by Black and Veatch International of the US with local participation and involves the construction of seven pumping stations and a 300 km pipeline.

It is supported by a $184m loan from the World Bank.

Izmir is the latest large city in Turkey to invest in new water and sewerage facilities. A series of major projects in the same field has been underway for the last three years in Istanbul:

Meanwhile DHL, the State Airports and Harbours Authority, has announced that it is seeking authority to begin work next year on four new airports. One will be at Sanliurfa in the south-east of the country. It will cost about $86m.

Hong Kong rebuts OECD surplus claim

BY DAVID DODWELL IN HONG KONG

THE HONG KONG government yesterday challenged as "fiction more than fact" suggestions in a new report from the Organisation of Economic Cooperation and Development that the territory had built up a massive current account surplus, or had been responsible in any way for global trade imbalances, or for worsening US trade deficits.

It challenged statistics presented by the OECD in its half-year report on the world economy, and attacked the entity "humping together the four dragons" in eastern Asia – South Korea, Taiwan, Singapore and Hong Kong.

The retort from Hong Kong officials coincides with increasing foreign pressure to revalue the HK dollar against the US unit – pressure the administration here has vowedto resist – and reflects concern that efforts to distinguish Hong Kong from other major exporting countries in eastern Asia have not been successful.

Mr David Nendick, Hong Kong Secretary for Monetary Affairs, said he was "astounded" by the OECD's claim that Hong Kong was running acurrent account surplus of US$1.6bn in 1985. The territory's visible trade surplus was almost in balance so such a claim could only be due to assumptions that the territory's invisibles surplus was substantial, he said.

"It appears that the OECD thinks (invisibles) are going to be a big positive figure," he said. "I think that is nonsense." He acknowledged that Hong Kong generates substantial invisible income from tourism and shipping, but said there were "indications" of a net deficit on trading in Hong Kong by foreign companies. Such figures have never been calculated in Hong Kong because there is no requirement for companies to disclose the necessary information.

Sir David Wilson, Hong Kong governor, complained that the OECD report "tends to lump together the four Asian dragons and makes it appear that they are all building up massive trading surpluses. It is true of Taiwan and South Korea. It's not true of Hong Kong and it's only true to a small extent of Singapore," he said.

"It's very important that those who look at these figures, and make policy decisions, should see how different Hong Kong is from the rest. We are not building up massive trading surpluses. We are roughly in balance, so there is no good argument from a protectionist point of view for taking action against Hong Kong."

Sir David insisted that this would be "discriminating against those who operate an open market system."

Swiss cheese ban ferments rift with France

William Dullforce on a pungent dispute caused by a health scare

MR JACQUES CHIRAC, the French Prime Minister, in his usual energetic style, elbowed his way this week into a delicate and complicated French-Swiss conflict over cheese.

It is a controversy around a serious health issue, which is damaging – arbitrarily and unnecessarily, the French say – important commercial interests, has stirred national pride and has elicited a confusing debate over modern European ways of life.

On a visit to the Franche-Comte, just across the border from Switzerland, Mr Chirac spooned into his mouth, in front of television cameras, the velvety, pungent paste of a Vacherin Mont d'Or and told delighted French cheese-makers: "If we find ourselves running into underhand manoeuvres, we shall just have to take retaliatory measures."

"Was that a declaration of war?" a Swiss reporter later asked an embarrassed prime ministerial aide.

Mr Chirac's gesture may well have secured him votes for next year's presidential election, but it has stirred the pot of suspicion, accusation and counter-accusation that has divided French cheese-makers and sellersfrom Swiss for the last month.

It began in November when the public health officer of the Swiss canton of Vaud banned the production and sale of Vacherin Mont d'Or and ordered the incineration of some 200 tonnes in stock.

Swiss Vacherin Mont d'Or, a winter cheese, is a gourmet's delight made principally in the villages of the Vallee de Joux in the Jura mountains. When ripe for eating, its rich, golden paste has the consistency of clotted cream and an appetising, faintly acrid taste.

Bound with a strip of pine, it is sold in round wooden boxes, from which it is eaten by breaking the pale, tawny crust and spooning out the paste. It has a long tradition and is served with ceremony in expensive restaurants.

Alas, the Vaud health officer justified his prohibition with some frightening evidence. Tests had shown that some Vacherin Mont d'Or crusts contained bacteria which could be linked to an alarming increase in cases of listeriosis.

Elderly people, those weakened by other illnesses, and foetuses are most susceptible to listeriosis, a disease with a high mortality rate which attacks the nervous system. Nocuous listeria bacteria grow on cabbages and lettuce as well as in soft cheeses.

The number of listeriosis cases has risen from nine in the whole of Switzerland in 1983 to 34 in the Vaud alone this year. Four of the 15 cases registered in the two months before the ban proved fatal.

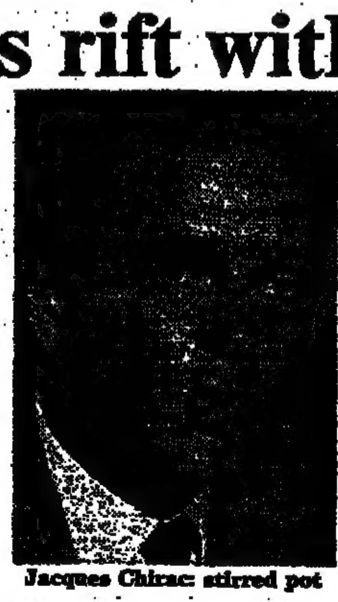
About 1,000 tonnes a year of Vacherin Mont d'Or are made in Switzerland. A similar amount is produced by somewhat different techniques in the French Jura. The Swiss cheese has a superior reputation – it is sold in specialist Parisian cheese shops.

The ban on the Swiss product immediately slashed sales of French Vacherin Mont d'Or, in spite of assurances by health authorities that no harmful listeria bacteria had been found in the French version.

Three weeks later, passions were intensified when the Swiss federal public health office in Bern announced that it had found traces of harmful listeria bacteria in 18 other soft cheeses, 10 of which were French. The suspected cheeses were withdrawn from the shops and further imports banned.

Even in France, sales of the cheeses listed by the Swiss federal inspectors plummeted by 50 to 75 per cent, although French health authorities protested that their regular and strict controls had proved negative. Sales to other countries, including the US, were affected.

Some French supermarkets are boycotting all Swiss cheeses, including the hard varieties which make up the larger part of Swiss exports. The French have queried Swiss pasteurisation practices and accused Swiss cheesemakers of breaking elementary hygiene rules – a low blow to a nation obsessed with cleanliness.



Jacques Chirac: stirred pot

In the Swiss Jura, where the livelihood of many dairy farmers has been devastated, the ban on Vacherin Mont d'Or is seen as an assault on the artisanal way of life by white-coated functionaries.

"We eat our Vacherin all the time and we have never known a case of listeriosis," a farmer complained.

That raises the question of how people develop life-preserving immunities in a modern society. Mass distribution based on supermarkets demands hygienic standards which prevent consumers' bodies from developing natural immunities, it is argued. One Swiss sociologist sees the death of the Vacherin Mont d'Or as another episode in the Americanisation of the world.

"We pay through the insipidity of all products for the privilege of being able to eat exotic fruits and strawberries all the year round," summed up an editorial in the *Journal de Geneve*, entitled Calvinism in the Supermarket.

Vaud canton has allocated extra funds for research into the biochemistry and production methods of Vacherin Mont d'Or, preserving a hope that the death of a splendid cheese might be premature.

Until Mr Chirac stepped in, both Swiss and French cheese exporters seemed ready to down arms and concentrate on limiting the damage.

Ershad likely to dissolve cabinet soon

By Seyed Kamaluddin in Dhaka

PRESIDENT Hussain Mohammad Ershad of Bangladesh is expected to dissolve his cabinet soon and appoint a smaller council of ministers, including some non-political members.

This is likely to coincide with the announcement by the electoral commission of the parliamentary election schedule. The parliament, elected in May last year, was dissolved by the president, who was facing swelling protest against his rule, on December 6. On November 27, he had proclaimed a state of emergency, suspending human rights and imposing curbs in an attempt to achieve control.

Under the constitution, a parliamentary poll is required within 90 days of the dissolution. However, the mainline opposition alliance is sticking to its demand that there can be no elections until Mr Ershad has stepped down as president. The opposition leaders have also refused to enter any dialogue with the Government to make arrangements to ensure "free and fair elections".

The opposition has accused the Government of rigging last year's parliamentary polls in favour of the ruling Jatiya party.

This week the US embassy in Dhaka said: "The US hopes that a dialogue, which should include all political elements, will lead to a peaceful and constitutional resolution to the situation."

The new US ambassador in Dhaka has met President Ershad and the two main opposition leaders, Mrs Hasina and Begum Zia, apparently to discuss the crisis. It is not clear, however, that the US exercises much influence over the Government or the opposition.

Much ado about nothing

By A. H. Hermann, Legal Correspondent

WHAT a year it was!

In an attempt to silence the incessant stream of complaints appearing in this column, both the Government and the two branches of the legal profession sprang into action with vigour. May they enjoy a restful Christmas after their exertions. And no guilt feelings, please. If nothing much has been achieved by the frantic activity, it is no one's fault, really.

Government first: the succession of three Lord Chancellors in a single year is surely a historical achievement in itself. Add to it that all three spoke out in favour of a thorough reform of civil justice, albeit that their voice was gradually reduced to a whisper. This was only prudent, as idle talk about changes in the law courts could lead to more aggro at the next Lord Mayor's dinner for the judges.

Solicitors next: much is happening on this front which is of direct benefit to my humble self. Since the Law Society relaxed on advertising, my desk is daily adorned with a *fresh crop of beautifully illustrated* booklets from City law firms. Between the lines I can read that each of them is the best, though modesty prevents them from saying so. Gouldens of Chancery Lane gets the first prize for sending me a wall calendar with 13 drawings by Jonathan Oxley, one of the firm's solicitors, who, as revealed at the back of the calender, has been developing a sense of humour ever since he was born at an early age. I can see in his drawings the making of a great humorist – though meant as a joke, they strike one as perfectly true.

YOUR SOLICITOR SHOWS GREAT FORESIGHT...

Press releases from solicitors' public relations agents are now descending on newspaper offices like belated leaves in autumn. They keep me informed about old and young talent employed by their masters, often with glossy portrait photos, which I distribute to particularly deserving female members of the Financial Times staff for their pin-up boards. I will have to stop this as my envious colleagues now suspect that I keep the photos of ravishing lady solicitors for myself. But cross my heart: the PR people do not seem to know of any.

Another bonanza is the flood of contributions offered for this column, again mainly through PR agents. When contributions arrive, they are, as a rule, most generous: greatly in excess of the 1,400 words needed to fill this space.

Unfortunately, one does not hear much from the suburban and provincial solicitors. I am told that they are now falling into three categories: some think of specialising and going it alone; others would like to join hands with estate agents and to establish property shops; but the majority hope to muddle through, deterred from the idea of a partnership with accountants or others by the Law Society's insistence that they must be sure to stay in *control, in order to imprint on* the partnership their ethical superiority. Quite understandably they are not sure whether they can carry such a heavy burden, particularly as it could be misunderstood by the potential associates.

Barristers still believe that tradition is more profitable than such novelties; but at least one promotional brochure arrived from a group of barristers which has opened European chambers in Brussels. Even this, however, is strictly speaking within the tradition that morals can be discarded when crossing the Channel.

It would, of course, be quite wrong to believe that barristers are less active than solicitors; they save their energies for the courtroom. Shunning mercenary competition, they can appreciate the benefits which flow from sticking together.

An excellent example of this could be observed in the litigation arising from the sad circumstances of the International Tin Council (ITC). No less than 24 lawyers, including 12 Queen's Counsel, crowded the courtroom of Mr Justice Millett, proposing and opposing a petition for the winding up of the ITC, undeterred by the generally known fact that English courts cannot order the dissolution of an international organisation.

The valiant efforts to extricate the 22 governments from the embarrassing accusations that they owe banks and tin brokers some £900m received the support of the British Government, which also believes in solidarity. It would indeed be a sad day if governments were required to pay their debts.

Those who know that prosperity depends on governments never repaying their debts and always borrowing more have been much gratified by the noble attitude of the Treasury mandarins, whose stiff upper lip did not quiver at the thought of having to provide, in the form of reduced taxes, more than half of the outstanding £900m when the banks and tin brokers write off the debts against past, present and future profits.

Tradition retained the upper hand in many other sectors of legal activity. Intellectual bickering about conflicts of interest between insurers (names) and their agents as well as other groups operating at Lloyd's of London were quietly brushed aside. The much too compassionate stance taken by a High Court judge who asked for some measures to be taken for the protection of minority shareholders was met with understanding and dignified silence. The moaning of minority shareholders is clearly not something which should stir the majority. And those who assert that the *minority* shareholders actually form the majority of investors are either confused, or trying to confuse others.

Also on the legislative front, those who incessantly clamour for reforms were decisively routed. Though not everybody understands the deep wisdom which prompted a Parliamentary Counsel to say that "the intelligibility of a Bill is in inverse proportion to its chance of being right", the dictum is all the more respected as experience shows that the more intelligible clauses of a bill invariably attract amendments.

Still on the same front, the professional innovators who came up with the idea that the well established and profitable patent litigation should be replaced with a simpler procedure (which would only put ideas into the heads of all sorts of inpecunious inventors), got their lesson: the Bill now in Parliament would add yet another step, the County Patent Court, to the litigation ladder. Next year I shall be able to report that they dearly wish things had been left as before. That should teach them that things are rarely so bad that they cannot be made worse. Just think of the Crown Prosecution Service!

Maggie Urry on slower than expected retail Christmas sales

Sad tidings for stores

A RECORD Christmas, but not a bumper one – that was the verdict from many of Britain's retailers last night with one shopping day left to the holiday, and that an early closing day at many stores.

Many are predicting there will be more bargains than usual in the post-Christmas sales. Underwoods, *the London-based chemist* chain, starts what it calls its "most spectacular sale yet" on Saturday.

Some stores privately admit that best expectations have not been met. Electrical retailers in particular seem to have had a difficult time and shoppers can expect good price cuts in the sales.

Even in the past few days, when a late surge had been expected because Christmas falls on a Friday, there has, however, been a marked difference in retailers' experience.

Department stores such as Selfridges, Liberty and John Lewis have been hectically busy since the schools broke up for the holidays: "We had to close Santa's grotto because the queue is an hour long," Selfridges said.

Other retailers such as Storehouse, which includes BHS, Mothercare, Habitat, Heal's and Richards, have found a tailing off in the percentage sales growth over the comparable week last year following better rises at the beginning of the pre-Christmas period.

Ratners, the jewellery retailers, suggested there was a slight shortage of cash around. Percentage sales gains in its like-for-like stores were running in the high 20s rather than the 40 or 50 per cent it was achieving in the summer.

Some shops have already been displaying "sale" signs, although these have often been on limited ranges – such as party dresses – or only at certain times. "There has been increasing money-off activity pre-Christmas over the last few years," says one retailer. Each store has tried to outdo others' tactics and maximise their own sales.

The *puzzle* is why shop sales should not have been more buoyant when consumers' disposable income has been rising rapidly. The cut in mortgage rates at the beginning of December was nicely timed for the Christmas season.

Throughout the year, official retail sales figures have shown good volume growth while many retailers have found sales to be somewhat patchy.

The stock market crash of mid-October was followed by a slow start to the Christmas trade in November, with some retailers expressing concern that the crash had dented consumer confidence.

Since most retailers make their best profits during the Christmas and New Year period, when the extra volume boosts net margins, a poor Christmas can cut millions of pounds from stores' figures.

Since many stores companies' financial years end in January they are wary of making any *firm statements about Christmas* sales. Even the success of Christmas Eve's trading – when "wild-eyed husbands ransack the perfumery department," according to one department store – can make a difference to the outcome. Until the doors close tonight, stores will be uncertain about the outcome.

There are many theories about why people have not been as generous as usual in their gift-buying. One analyst, Ms Jenny Nibbs of Capel-Cure Myers, suggested that the Christmas selling season had been getting later and later in recent years as shoppers made sure their Christmas purchases did not appear on their credit card bills until January.

Another view is that there is a lack of new products to buy, particularly in the electronics field. A return to traditional gifts has been reported by many stores groups.

UK current account deficit sum widens

BY SIMON HOLBERTON

THE cumulative deficit on the current account of Britain's balance of payments widened to almost £600m last month to take the total for the first 11 months of the year to £2.1bn .

Provisional figures from the Department of Trade and Industry show that in November, Britain imported almost £1.2bn more than it exported.

Taking into account an estimated net £600m surplus on *invisibles, the current* account deficit in November was £595m compared with £282m the month before.

Mr Nigel Lawson, the Chancellor of the Exchequer, said before the figures were released that it was not suprising that UK imports topped exports because "the British economy is growing so much faster than the rest of the world."

Relative growth rates in the volumes of imports and exports over the year, excluding oil and erratic items, underline the Chancellor's observation. They *show* an economy hungry for capital goods and semi-processed manufactures, but unable to export at a rate greater than this consumption.

In volume terms, exports in the three months ending November rose 6½ per cent compared with the same period a year ago, while the volume of imports rose 9½ per cent.

Mr Lawson said the current account deficit was small in relation to the size of the economy, adding that "we have massive overseas assets which enable us to finance this very small deficit without any difficulty."

While many independent economists agree that the current account deficit is small in relation to the economy, they point to a *steady deterioration of the* UK's trading position.

The trading balance is likely to worsen next year as the rate of economic growth in the UK continues to outpace those of its competitors in Western Europe and North America.

City analysts expect these conditions to put downward pressure on sterling, which authorities may have to support with an increase in interest rates.

The Treasury forecast a current account deficit for this year of about £2.5bn and predicted it would grow to £3.5bn next year.

In November, Britain earned £6,951m in export income, of which £714m was from exports of oil. In the same month it imported goods valued at £8,146m, of which £374m was accounted for by oil and oil-related products.

Slow holiday bookings prompt price cuts

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

BRITAIN'S package holiday companies yesterday launched a round of price cuts to stimulate sluggish sales of next summer's overseas holidays.

The move followed a sharp fall in demand in recent weeks as consumers adopted a wait-and-see approach to booking holidays for next summer.

Holidaymakers who book in January will be eligible for discounts of up to £25 from leading tour operators. Thomson Holidays, the market leader, is offering £25 off certain holidays while Intasun, the second largest operator, is offering £20.

Travel agents, who have been hit by the slow bookings, are also offering discounts.

Pickfords Travel, one of the largest chains, is offering a £50 discount on holidays booked next Monday and £20 off holidays booked until the end of February.

The price cuts coincide with a re-launch of next summer's brochures.

Trade estimates suggest bookings for next summer are at best level-pegging with the same time last year and, at worst, 10 per cent down, in volume terms.

Bookings started briskly in September as those who had to book early took advantage of special discounts. However, since the onset of uncertainties in world financial markets in mid-October, consumers have apparently decided to hold back from big spending.

Thomson Holidays' decision in early November to cut its total prices by about £18m appears to have enabled it to recover market share lost to Intasun, part of International Leisure Group.

But Mr Charles Newbold, managing director of Thomson Holidays, admitted: "We have not made up for the lost ground in the early autumn."

Mr Roger Heape, managing director of Intasun, said his company had boosted its sales by some 50 per cent over last year, mainly because it offered better prices than Thomson.

He said: "We are offering price discounts in January to encourage people to book early rather than leave it late.

"But we don't intend to get into the same situation as last year where the holiday industry had to sell flights off at rock bottom prices. If the holidays are not sold by early next year, then we will reduce capacity and that could lead to a shortage of holidays on the market."

Thomson's Mr Newbold also said holidays not sold would be consolidated into other packages rather than sold off cheaply later on next year. However he predicted "an almighty scrap" in January as the tour operators fight to win key holiday bookings.

Some observers agree that if sales do not pick up in January, then leading operators may carry out a major re-launch of their holiday programmes for next summer.

Mr Richard Gapper, managing director of Pickfords Travel, said: "They have only been tinkering with their brochure prices so far."

CHARTER HOLIDAYS LICENSED BY CAA

	1986 m	1987 m
Thomson Group	3.75	4.04
ILG	1.81	2.45
Horizon Group	0.99	1.33
Redwing	0.59	0.81
Best Travel	0.27	0.40
Airtours	0.29	0.37
Cosmos	0.28	0.34
Yugotours	0.25	0.29
Owners Group	0.49	0.19*
Granada Group	0.10	0.16

*Licences issued for six months only. Source: Civil Aviation Authority

Cooling-off period extended to pensions

By Richard Waters

The "cooling-off" arrangements being introduced as part of the new regime for protecting investors are to be extended to unit-linked personal pensions, the Securities and Investments Board (SIB) said yesterday.

Investors will be able to cancel a contract taken out as a result of an unsolicited call from a salesman up to two weeks after the sale.

The SIB said this year that the two-week "cooling-off" arrangements would apply to life policies and units in collective investment schemes. Under SIB rules, these will be the only types of investment that can be sold by cold-calling.

The SIB also published its scale of fees for investment advisers who seek authorisation direct from it, rather than one of the City's self regulatory organisations (SROs).

These range from £750 for a firm with one or two investment staff, to £13,200 for one with more than 1,000, depending on the type of business undertaken.

These fees, higher than those proposed by the SROs, have been set to cover the costs of regulation, the SIB said.

The cooling-off rule has been extended to unit-linked personal pensions "to establish a level playing field" between these and other unit-linked products, an SIB official said.

At the same time, two products have been freed from the cooling-off rule:

- Defined-benefit occupational pension schemes. These are sold only to large companies, usually after extensive professional advice, the SIB said.
- Compulsory purchase annuities. Under these schemes, where an annuity is bought with contributions paid into a pension scheme, one month is already allowed before the scheme begins.

John Griffiths on the Japanese car company's plans for expansion

Nissan gets ready to accelerate

Octav Botnar and the Nissan factory at Sunderland

WHEN THE chairman of Nissan Motor Company, Japan's second-largest vehicle maker, flies all the way to London to announce a doubling of car-making capacity in Britain, it might be expected that the chairman of Nissan UK would be there to share the limelight.

He was not.

But that was no more than expected of Mr Octav Botnar, a near-octogenarian whose fame in motor trade circles for avoiding the public gaze is matched by his reputation as an autocrat while running Nissan UK in private.

On this occasion, however, mention of Nissan UK and Mr Botnar also brought looks of studied politeness to the faces of Mr Takashi Ishihara and his officials, including London-based Mr Toshio Yasuda, who handles corporate affairs in Europe. For Nissan UK is owned not by Nissan but by Mr Botnar.

He is acknowledged as the architect, over nearly 20 years, of Nissan's biggest sales success in western Europe. The UK last year accounted for over one third of Nissan's 300,000 European total with 109,242 cars registered, representing a 5.8 per cent market share.

In spite of this, the Japanese company is seeking, with mounting frustration, to change the relationship. It has been trying for several years to buy out Mr Botnar and take over the company that has distributed its products so successfully in the UK.

Nissan of Japan's anxiety to do so is understandable. It might not be essential for a manufacturer to own its importer/distributor. Audi/Volkswagen, for example, has a similar market share to Nissan in the UK, but the importing company is a Lonrho subsidiary. But for Nissan, the stakes are becoming much higher.

It intends to keep the more than 50 per cent slice of Japanese new car exports to the UK it is allowed under the Anglo-Japanese "gentlemen's agreement," which restricts Japan's share of the UK new car market to 11 per cent.

To that, it intends to add 60,000 units a year of UK-produced Bluebirds when its Sunderland plant is fully on stream. A further 40,000 units will be added from 1992, when the small hatchback which will replace the Micra - announced by Mr Ishihara - is in full production at Sunderland.

That makes a total of about 210,000 cars to be absorbed by UK buyers. This represents a share of more than 10 per cent of even this year's record market, which today will reach 2m for the first time.

Nissan can achieve this goal only by taking market share from somebody else. It acknowledges that gains of this size must come through the fleet market, from which it is almost entirely absent.

It will probably tread hard on the heels of Rover Group and Vauxhall, which trail some way behind market leader Ford, and are most vulnerable to a major new fleet competitor.

With Nissan UK's 300 dealers already facing the prospect of moving a large number of extra cars next year – when nearly all 50,000 vehicles to be produced are likely to be categorised as British – the Japanese company's concern to be in direct control of distribution and marketing strategies becomes understandable, no matter how efficient Mr Botnar's operation has been in the past.

Weighing increasingly heavily on Nissan's mind is what is likely to be seen as the sheer incongruity of a large-scale manufacturer being dependent on a private company in the actual country of production.

Unfortunately, from Nissan's point of view, Mr Botnar appears to see things differently.

Mr Botnar does not appear ready to sell and, while not commenting publicly on the issue, has suggested in informal conversations that Nissan will need him for some years to steer the Japanese through the intricacies of the UK market.

In the meantime, the tentative negotations opened several years ago have drifted to a halt. "We want the takeover to be amicable," said a senior Japanese official, "but to have negotations you've got to have a partner."

What neither side will disclose are the terms of the agreement under which Nissan UK has the franchise, and if it has a specific expiry date. Nor will the Japanese officials say if or what pressure might be brought to bear on Mr Botnar to bring him to the negotiating table.

In the meantime, Nissan UK is investing heavily in the dealer infrastructure and seeking several dozen further sites to go into operation by the end of next year under a dealer development programme. Since the scheme's inception nearly three years ago, Nissan has set up more than 80 large outlets and more than 25 smaller ones by offering low-cost loans and premises to potential dealers.

Some motor trade observers have suggested that Nissan will need all the help it can get to meet UK sales targets. Nissan UK has, in the past, furiously denied allegations - particularly from rival Japanese importer Colt - that it has sometimes had difficulty in selling all its import quota, and that these difficulties will become all the greater when it has to increase sales by a half, or more, over the next two years.

In the first 11 months of this year Nissan's market share fell back slightly, from 5.78 to 5.61 per cent.

Recently it has begun strong action to lure business car buyers, including the loan of cars for up to a year to some potentially valuable customers, other incentive schemes and the fitting out of the Bluebird 1.6L with features such as electric windows and central locking unmatched by any of its UK-based rivals.

How successful it will be in tackling the fleet market is unlikely to become clear until the end of next year. Nissan UK may have drawn encouragement from a survey of company attitudes published by a Windsor-based group in September suggesting that only 6 per cent of UK companies would now ban Japanese-badged vehicles from their fleets.

Mr Norman Donkin, a director of the Lease Plan UK contract hire and leasing group, and co-author of the widely-used Monk's Guide to Company Car Policy, is not so sure.

"Old habits, and the buy British-badge rules, die hard. I think it's going to take Nissan an awful lot of time to get to sell cars in the quantities they want.

"Certainly, none of our clients are approaching us for Nissans, although we do get the odd senior executive who wants a particular Japanese car. That's more likely to be a Honda or Toyota, though."

Meanwhile, Nissan's European-based rivals have been quick to question the true extent of the benefits of the expanded Nissan presence - not least whether a direct job creation rate of one job per extra 71 cars produced (1,400 workers are to be employed to build the extra 100,000 cars a year in production in the UK) is a gain if half of those cars are substitute sales for a Ford, Rover or Vauxhall.

Nissan is countering that argument by pointing out that full production of 200,000 cars a year will require £450m worth of component purchases in Europe in 1992, even though there are no plans for engine or transmission manufacture.

A spokesman for the UK manufacturing subsidiary was unable to give a figure for component purchases this year or likely purchases in 1988.

Submarine offer to aid Navy

Financial Times Reporter

TURKEY IS offering one of its German-built diesel-electric conventional submarines to assist in the training of Royal Navy and later other navies' anti-submarine ships and helicopters in return for British help in training the crews of its German-designed frigates.

The Royal Navy's Sea Training Organisation at Portland, Dorset, provides intensive training for more than 50 British carriers, destroyers, frigates and auxiliaries each year, as well as Netherlands and West German warships.

For such assistance both governments pay substantial fees to Britain, but by offering one of their submarines to Portland to assist in anti-submarine training, Turkey is understood to be seeking a waiver, or at least a reduction, on the charges for training their frigate crews.

With the shallow waters of the English Channel unsuitable for deep-diving nuclear powered submarines, the Royal Navy has to rely on the elderly force of Royal Navy diesel-electric powered submarines to give destroyer and frigate crews realistic training in submarine hunting.

Although four new Upholder class submarines are under construction, the Royal Navy's conventional undersea force will drop next year to 11 boats and the chance to work with one of the Turkish navy's much more modern submarines would be welcomed.

In the past, the Netherlands navy offset the cost of training its surface warships at Portland by lending a submarine. Under a similar arrangement, the West German navy has made some of its fast, missile-armed attack craft available to simulate the kind of craft British warships might encounter in places such as the Gulf.

Construction orders rise 23% in year

BY ANDREW TAYLOR

BRITISH construction orders in the three months to the end of October were 23 per cent higher than in the corresponding period last year, according to government figures published yesterday.

Construction output in the UK is expected to have risen by about 7 per cent this year – the highest annual increase since the mid-60s.

Output is forecast to increase further during 1988, but at a slower rate. Forecasts for construction next year range from a 2.5 per cent increase to a 5 per cent increase in output – depending upon whether the start of construction of the Channel tunnel is included in the projections.

Forecasts for 1989 are more cautious following the stock market crash. Many observers feel this may affect demand for offices in central London, which has been one of the big growth markets for construction.

Environment department figures showing construction orders have been affected by the inclusion, in a single large lump, of the contract to build the Channel tunnel, even though the work will take five years to complete.

This meant that orders in the three months to the end of August were 19 per cent lower than in the previous three months, when the Channel tunnel order was included in the July figures.

Royal Trust Bank to open Bristol branch

BY ANTHONY MORETON

ROYAL TRUST BANK is to open a branch in Bristol, a part of the country where it has "significant business", early next year.

It is being assisted by the local office of Arthur Young, the accountancy firm, which is acting as its consultant in the area.

The bank, a wholly owned subsidiary of Canada's Royal Trust, is seeking to extend its influence in the south-west through assistance to small and medium-sized businesses.

Mr Jeremy Dummett, of Royal Trust Bank, London, says that "the commercial profile of the Bristol area is a broad one, not dependent on any one industry. There are many medium-sized companies at which the bank's services are aimed.

"In general economic terms the area has great potential, as witnessed by the growth of local business and the fact that a number of major companies have selected Bristol as their base."

Cornhill plans 'discriminated against women'

By Nick Bunker

ABOUT 250,000 people covered by insurance schemes run by Cornhill, the composite insurer, have had their policy wordings changed after the Equal Opportunities Commission said the company could be breaking the law by discriminating against women.

The schemes cover mortgage and other borrowers who want to insure against missing repayments because of unemployment, illness or disability. The commission said it had received complaints from the public against several insurers, which had agreed to alter their wordings.

Under the Cornhill schemes, only borrowers in full-time employment could be insured. The commission said this would exclude the increasing number of women working in well-paid and permanent part-time jobs. Cornhill would also only pay claims if the policy holder was drawing unemployment or sickness benefits. The commission said many women had opted before 1978 to pay reduced rate National Insurance contributions, so they could not claim these benefits.

Talks on Tube disaster

FINANCIAL TIMES REPORTER

LAWYERS representing victims of the King's Cross disaster yesterday held "constructive" compensation negotiations with London Regional Transport.

The meeting followed a letter to the lawyers from LRT indicating claimants will not have to prove LRT's liability for negligence to obtain compensation.

The Lawyers Co-ordinating Group, which represents the injured and bereaved, said LRT would respond to the lawyers proposals early in the new year.

LRT has already promised that claimants will be reimbursed immediately for expenses and the cost of private medical treatment incurred as a result of the disaster.

The official inquiry into the tragedy will begin in February.

- Hundreds of floral tributes placed outside King's Cross since the fire will be removed after Christmas because most of the flowers have wilted.

PO courier service to Soviet Union

THE POST OFFICE is to begin a high-speed courier service to the Soviet Union in the new year, enabling urgent documents to be delivered to Moscow in two days.

British Coal works 'may close'

BY ANTHONY MORETON, WELSH CORRESPONDENT

BRITISH COAL is to make drastic cuts in its last remaining engineering works in South Wales in the new year and may even close the operation.

The 274 employees at Tredomen Engineering, outside Cardiff, have been told that the £2m-a-year losses can no longer be sustained, especially as the order book is "less than healthy" and does not look like improving.

Tredomen Engineering, which makes mining equipment – almost all of which is sold within British Coal – will review the situation after it has seen the response to its call for voluntary redundancies.

If it believes a smaller operation could continue profitably an attempt to do so will be launched. But Mr Keith Griffiths, managing director, has warned the workforce that, despite British Coal's general policy of no compulsory redundancies, in the event of a total closure, employees "may be offered" jobs elsewhere.

Tredomen has been faced with falling demand for its equipment as the coal industry has contracted. It has been making losses for about seven years despite the closure of the nearby works at Tredegar some years ago. In an effort to stay alive it has already had its workforce cut substantially.

Those leaving the industry could qualify at the top end of the scale for as much as £25,000, a sum that has proved highly attractive elsewhere in South Wales when pits have been faced with closure. If they leave before next March, they could also receive a supplementary £5,000.

Llanelli site for £16m retail park

BY ANTHONY MORETON

THE B.J.GROUP, of Swansea, is to develop a £16m retail park outside Llanelli in south-west Wales, an area that has had great difficulty in attracting new investment.

Mr Mike James, B.J.'s managing director, claims the development will be the first purpose-built retail park in Wales.

The scheme will include 200,000 sq ft of non-food stores and a hypermarket, a hotel, fast-food restaurants, a petrol station and car showrooms.

The site is near the end of the M4, a part of Wales avoided by modern developments.

Last month, however, an imaginative retail development was announced in the fast-growing Bridgend area, between Cardiff and Swansea, and it is thought that awareness of the advantages of siting developments beyond Swansea is beginning to grow.

Swansea itself has attracted a large number of retail stores such as B and Q, Tesco and First City as well as a hotel to its enterprise park, formerly known as the enterprise zone.

Work has just started on the essential services at Llanelli's Parc Trostre and it is thought the first buildings may be completed by the spring of 1989.

Society plans insurance link

By Nick Bunker

THE SWANSEA Building Society has become the latest society to announce plans to turn itself into a "tied agent" for a big insurance company. It said it was linking with Guardian Royal Exchange, the composite insurer.

The society will sell mortgage-related life assurance products for GRE, which will provide training for the society's branch staff. In the last week, the Scarborough Building Society has said it is tying up with Legal & General, while the Cheshire Building Society will become an appointed representative for General Accident Life.

Oil field go-ahead

By Max Wilkinson

NORTH SEA Sun Oil, subsidiary of Sun Oil, the US independent, said it had received permission to develop the Glamis oil field about 150 miles north-east of Aberdeen.

This small field contains 17.5m barrels of recoverable oil. It will be developed at a cost of £62m using sub-sea installations connected to the nearby Balmoral platform.

Nick Bunker looks at a European Community deal over competition in non-life insurance

Free market breakthrough is a gift for insurers

FOR 30 YEARS, the creation of a free market in non-life insurance in the European Community has been a tantalising dream.

"We've always been ever so slightly sceptical about the chances of it happening," says an executive at Willis Faber, one of the UK's big blue-chip insurance brokers.

However, news of a breakthrough late last week in ministerial talks in Brussels – which should lead to free cross-border competition among insurers to cover so-called "big industrial risks" – has confounded some, although by no means all, of the cynics in London's insurance market.

The gist of the deal achieved by Denmark on Friday, just two weeks before it finishes its term as president of the EC's Council of Ministers, is relatively simple. After a phasing-in period lasting to December 31 1992, most European companies which qualify as "big risks" will be allowed free access to buy property and liability coverage from insurers based anywhere in the Community – including London subsidiaries of big US, Swiss or Japanese insurance groups.

A big risk will mean any policy holder which can satisfy two out of three criteria: 250 or more employees, turnover of more than Ecu12.8m (£8.8m), or a balance sheet total of more than Ecu6.2m (£4.3m). Until the end of 1992, the thresholds will be double that.

The agreement, says Mrs Liliana Archibald, a veteran adviser to Lloyd's of London on EC issues, is "a Christmas present to Lloyd's and the London market of quite monumental proportions."

The reasons for Mrs Archibald's excitement are straightforward. For instead of having to go through the costly, complicated process of "establishing" a base in other EC countries in order to write business there, London underwriters will be able to do so from their desks in Lloyd's or Leadenhall Street.

The extent to which they will do so, however, is likely to depend not so much on insurance companies as on their "marketing arm," the London-based brokers, led by Sedgwick, Willis Faber and C.T. Bowring.

Among brokers, there remains some scepticism – understandably.

The 1958 Treaty of Rome mandated a gradual EC abolition of national barriers to free trade in services. However, a 1985 Institute of Fiscal Studies report said the treaty's liberal ideals became "stuck and almost floundered on the legally imposed precondition to harmonise all Community insurance regulation."

The other stumbling block has been the uneven development of Community member states' domestic insurance industries – which in the past led to fears by smaller nations that well-equipped British and US brokers and insurance companies, and Lloyd's syndicates, would rapidly dominate a liberalised European market. One worry still in Parisian insurance circles is that European brokers are too few and too small to compete with giants like Sedgwick in directing the flow of premium money worldwide.

Fears such as this helped cause a series of false dawns in the creation of a free insurance market. Friday's talks were actually addressing issues raised in the European Commission Second Non-Life Insurance Co-ordination Directive of 1975.

The final frustration was in December 1986. Then, the European Court appeared to strike a blow for laissez faire when it ruled against West Germany, France, Ireland and Denmark in cases brought by the European Commission. The Commission had objected to their insurance supervision laws which meant in practice that insurers wanting to do business in their countries had to be established there.

However, the terms of the main judgment – in the so-called Schleicher case – were "most Delphic," says Mrs Archibald, and it had little apparent impact.

So what happens now, after Denmark's breakthrough? In theory, there is nothing to stop an underwriter insuring West German factories direct from London immediately.

The bottom line, however, according to DTI officials, is that January 1 1990 is a likely date for the London market to be able to begin accepting some "big risks" from all over the EC.

Officially, the EC's Internal Market Council only achieved on Friday what it called "an informal qualified majority" on the issue. The European Commission now has to produce the complete text of a new, amended directive.

The signs in Brussels were that West Germany wants to have this ready by June 30 1988, when it finishes its forthcoming term as council president. Then, member nations will need perhaps 18 months to alter their own insurance laws.

Last week's agreement also featured some small print.

First, Greece, the Republic of Ireland, Portugal and Spain won a special dispensation. They feared the thresholds for defining a "big risk" were too low – leaving the lion's share of their commercial insurance market open to seizure from abroad.

According to the British Insurers' International Committee, which represents insurance companies, last Friday's solution was that until the end of 1992 the four concerned countries could continue their present regime for regulating "big risk" insurance. From January 1, 1993, they will have to allow free competition from outsiders for transport risks (mainly marine and aviation business), and for credit and "surety" insurance.

Spain will have until December 31, 1996 to phase in free access to foreign insurers for "big risk" policy holders, using the same 250-employee threshold as other EC nations. The deadline for Greece, Portugal and Ireland is the end of 1998.

Second, the Internal Market Council has had to prescribe some "localisation" of the reserves which insurance companies set up to cover their liabilities to policy holders.

An insurance company which operates out of London, say, and insures Greek factories has to decide in which currency to keep its reserves. It would probably be reluctant to maintain them in drachmas.

Last Friday's solution by the council was apparently to agree that in general if an insurer's liabilities in one local EC currency exceed 7 per cent of its total liabilities in all the other currencies, then the insurer would have to "match" those liabilities with assets held in the local currency.

THE WORLD'S TOP 19 INSURANCE BROKERS

Company name	1986 gross revenues
Marsh & McLennan (US)	$1.83bn
Alexander & Alexander (US)	$1.135bn
Sedgwick Group (UK)	$1.054bn
Johnson & Higgins (US)	$647.6m
Frank B. Hall (US)	$390.9m
Corroon & Black (US)	$338.3m
Willis Faber (UK)	$251.2m
Minet Holdings (UK)	$180.4m
Rollins Burdick Hunter (US)	$170.0m
Jardine Insurance Brokers (UK)	$162.7m
C.E. Heath (UK)	$159.6m
Stewart Wrightson (UK)*	$140.7m
Hogg Robinson (UK)	$139.4m
Bain Clarkson (UK)	$119.9m
Arthur J. Gallagher (US)	$118.8m
Bayly, Martin & Fay (US)	$92.7m
Faugere & Jutheau (France)	$90.9m
Jauch & Hubener (West Germany)	$82.2m
Hudig-Langeveldt (Netherlands)	$69.4m

*Wrightson is now part of Willis Faber. Source: Business Insurance magazine, Chicago.

Britannia seeks review of policy over airlines

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITANNIA AIRWAYS, the UK's second biggest airline, yesterday called for a comprehensive review of the Government's airline competition and traffic distribution policies

The call follows the agreed British Airways takeover of British Caledonian.

Britannia, part of the Thomson Group, also criticised attempts by the *Airlines of Britain Group* to block the takeover through the European Court.

Meanwhile Mr Kenneth Clarke, the Trade and Industry Minister, said he thought the European Commission – which said it might take legal action to challenge certain aspects of the takeover – was unlikely to try to stop it.

Mr Dave Hopkins, managing director of Britannia, said the takeover should be allowed to go ahead, and that the attempt to stifle it through the European Commission and European Court was "prolonging the lingering death throes of British Caledonian, and ignores the genuine competition that already exists from Britain's charter airlines."

"Although the scheduled airlines' glossy advertising campaigns seem only aimed at the business traveller, most airline passengers are travelling for leisure purposes and charter dominates this market.

"The charter airlines have been providing passengers with the cheapest air fares available anywhere in the world for nearly three decades, and competition from charter airlines has forced scheduled fares down," Mr Hopkins said.

"Scheduled fares on European routes on which there is a significant charter presence are at least 40 per cent lower than on those with little or no charter competition.

"While the BA takeover of BCal does raise some questions about the increased potential the airline may have to compete unfairly, these questions will not be satisfactorily resolved in the European Court.

"What is required is a review of the *Government's current* policies on competition and air transport distribution which were flawed from their inception and are clearly now left in *tatters*."

The policies include the permitting of at least two UK scheduled airlines to *fly* in competition on international air routes.

Now that BCal, hitherto the principal "second force" international airline, is being merged with BA, there will be room for other independents, such as *Britannia*, to apply for scheduled international licences. Some have already done so, and others are likely to do so soon.

However, Britannia, like other mainly charter airlines, is afraid that BA's strengthened position at Gatwick will encourage it to push the charter operators aside and try to force them to Stansted.

This "redistribution" has been advocated in the past by BCal and the charter airlines fear it will now be adopted by BA. By seeking a review, the charter airlines hope to establish more clearly their long-term right to remain at Gatwick.

Mr Clarke, speaking on BBC radio, said he had met Mr Sutherland, the Competition Commissioner, on Tuesday, and although the Commission had "theoretical powers" to block a merger, those were not the terms in which the Commissioner had been talking.

Mr Clarke said he would regret any intervention by the Commission because the takeover battle had been resolved: "I do not wish to see further uncertainty and I hope discussions will rapidly sort out things in the New Year".

Challenge to power station bid rivals

By Our Belfast Correspondent

THE GOVERNMENT has challenged the main rivals for the contract to develop the UK's first lignite-fired power station in Northern Ireland to improve on their bids.

Dr *Roelof Shierbeek*, chairman of the publicly-owned Northern Ireland Electricity, and Sir Desmond Lorimer, chairman of Antrim Power, the private consortium, have been given until January 31 to come up with revised figures.

Mr Peter Viggers, the Northern Ireland Industry Minister, made it clear to both chairmen earlier this week that the Government favoured a private-sector power station providing it was in the best interests of the province's economy.

The contract, understood to be worth about £500m, would be Northern Ireland's *biggest industrial project*.

It would provide about 3,000 jobs during the construction phase and a further 600 permanent jobs.

NIE has argued that the Government should complete Kilroot power station at Carrickfergus as a dual coal and oil-fired plant before proceeding with the development of the country's lignite resources.

Dr Shierbeek said yesterday "I am still confident that our proposals stand up to scrutiny."

But Sir Desmond said it was imperative that the Government proceeded immediately with the proposed lignite plant at Crumlin in County Antrim.

He said it would be a great tragedy for Northern *Ireland if the private sector* did not get the go-ahead.

Sir Desmond was concerned that the Government did not unduly delay an announcement after the January deadline.

Opponents of lignite development insist that not enough research has been carried out into the environmental consequences of exploiting the fuel.

Mr Niall Fitzduff of the pressure group Lignite Action said that the environmental implications had been largely overlooked as a result of political expediency.

David Brindle sees a small piece of railway history overtaken by new technology

Ticket to ride reaches the end of the line

WITH LITTLE fanfare, some 150 *years of British railway tradition* will come to an end in Crewe today with the printing of the last Edmondson.

Mr Bob Bradley and Mrs Pat *Howell, British Rail's only* remaining practitioners of the craft, will coax an elderly Waterlow press into life and clatter out the few remaining orders. After a brief ceremony, they – and the Edmondson – will take retirement.

For the uninitiated, Edmondson is the name for the slip of cardboard, measuring 2¼ inches by 1¼ inches, which has served as the standard railway ticket for most of the history of the transport system in the UK.

Invented in the 1830s by the station master Thomas Edmondson, the basic concept was never improved upon. Now, however, it is giving way to the computer age, to "Aptis" and "Portis" machines which print at the point of sale producing thinner tickets the size of credit cards.

These, says BR, will help create a modern up-market image, will facilitate nightly revenue and data checks and will set the UK in the forefront of railway ticket technology.

Perhaps. Yet there will be many rail travellers who will mourn the passing of the Edmondson, one of the last links with the steam age. Aptis tickets are unlikely to be seen sported *jauntily in hatbands*.

"I don't think I shall ever get up quite the same enthusiasm," laments Mr Michael Farr, leading ticket enthusiast and author of a pamphlet on *Thomas Edmondson*.

Edmondson, says Mr Farr, was "a definite entrepreneur." Once the ticket system was patented, the railway companies using it were charged 10 shillings (50 pence) a year for every mile of track. This was after Edmondson had sold them either the printed tickets or the equipment to print their own.

Before Edmondson, station staff had "booked" passengers in ledgers – a laborious process that was open to abuse.

The ticket innovation came at Edmondson's station at Milton, (now Brampton) Cumbria, on the former Newcastle and Carlisle Railway. By the time he died in 1851, his company was marketing printing presses, storage racks, dating machines, clippers and even a shredder for disposal of tickets to prevent their fraudulent re-use.

The production technology, little changed, has since 1957 been based at BR's paper and printing division at Crewe where, at the peak, more than 300m Edmondson tickets were printed annually on 28 Waterlow presses.

The works still houses the

Alan Harper

Bob Bradley and Pat Howell produce the last batch of Edmonson tickets at Crewe

printing blocks and plates for virtually every conceivable journey on BR present and past. "Early morning return, Norwich (Thorpe) to Brundell Gardens Halt, fare 1/4", says one.

"One motor car (circular) over 13 feet and up to 14 feet 6 inches. At owner's risk. With driver. Rothesay and Wemyss Bay. Fare 43/0", says another for ferry rather than train use. (Reputedly, there are similar print blocks for tickets for hearses "with coffin with corpse.")

As the Edmondson has been gradually phased out, tickets produced at Crewe in recent months have been mainly for BR's Southern Region, for some travel agents and excursions and private railways, a number of which ordered several years' supply in advance of the printworks' closure.

Mr Bradley, the works fitter, has gradually cannibalised the Waterlows – which all pre-date the 1948 railway nationalisation – to keep production going. One press has gone to the National Railway Museum at York; others may be bought by preservation groups such as the Transport Tickets Society.

Sadly, but probably inevitably, the tens of thousands of blocks and plates are likely to be melted down.

For some months, Edmondsons will still be spotted in use on BR as certain stations and travel agents use up their stocks pending full installation of the £40m Aptis (Accountancy and Passenger Ticket Issuing System) and Portis (Portable Ticket Issuing System.)

There is even some long-term hope for devotees of the cardboard token. BR's paper and printing division recently received a letter from a Turkish railways official, unaccountably written in German, which on translation was found to inquire: "Where can I buy machines to produce this?"

Enclosed, of course, was an Edmondson.

Lydd offers Stolport radar surveillance

BY MICHAEL DONNE

A POSSIBLE solution to the radar difficulties that have resulted in the suspension of Paris flights from the London City Airport – popularly known as Stolport – has been proposed by the new owner of Lydd Airport in Kent.

Mr Jonathan Gordon, managing director of the Lydd Airport Group, which took over the airfield last year and has extensively modernised it, has told the Civil Aviation Authority that Lydd is willing to upgrade its existing radar equipment ahead of schedule to handle Stolport's air traffic needs.

Mr Gordon believes that Lydd Airport is well placed to offer the cross-Channel radar surveillance needed to ensure the safety of the low-level flights on the Docklands to Paris route.

"We have contacted the CAA to discuss this service," said Mr Gordon. "We see it as a more realistic alternative than making further demands on Gatwick air traffic control which is already overstretched."

Aircraft handling charge proposal for Manchester

BY MICHAEL DONNE

A REVISED formula for calculating increased charges for handling aircraft at Manchester Airport has been proposed by the Civil Aviation Authority, following recommendations from the Monopolies Commission.

The plan provides for the annual charge increases over the next five years to be fixed at the rate of inflation, less 1 percentage point, using current charges as the base.

Manchester Airport plc, the newly-formed company running the airport, has 30 days to comment to the CAA on the plan.

The Monopolies Commission report suggested that the RPI minus one formula would give the necessary degree of protection to airport users while leaving the company running the airport in a financially sound position and able to carry through its spending plans.

The commission believes such a formula would be simple to operate, would be based on verifiable data about past performance, required no forecasts of future traffic levels, would minimise uncertainty about tariff levels and could be checked easily.

The report said the company had taken steps to "put in place a functional costing system, which would provide the management with the transparency required to compare the costs of services with the charges."

Post Office handles record mail volume

By Terry Dodsworth

THE POST Office has notched up another Christmas mail record this year, beating the figure it set last year when it handled 1.4bn cards, letters and parcels in December.

Although a final tally for this year's Christmas post has still to be established, the Post Office said yesterday that the 1986 total had already been exceeded with a few days to go.

Sir Bryan Nicholson, chairman, attributed the demand to value-for-money postal prices.

The Christmas rush began earlier than usual, with about 65m items posted on each of the first few days of December, compared to the normal 50m.

Sky channel goes to Hungary

BY RAYMOND SNODDY

MR RUPERT Murdoch's satellite television channel Sky has made its first significant advance into eastern Europe.

Sky, the advertising-financed general entertainment channel now available to more than 10.8m homes in western Europe, was launched this week on seven cable television networks in Hungary.

Hungary is the first eastern European country to take Sky, which relies heavily on American programming. The launch follows agreements with the Hungarian post and telecommunications authority and the copyright agency Artisjus.

The channel is now available in 52,000 homes in Hungary, including two networks in the Budapest area and on Hungary's largest cable system in Szekesfehervar. The total is expected to rise to 80,000 by the end of this year.

Sky has been available in a number of Budapest hotels since the spring and has co-produced a pop music show in Budapest with Magyar Televizio, the Hungarian state television organisation.

As well as its general entertainment programmes, the Hungarian viewers will also be able to see the three hours a day of Arts Channel programmes to be transmitted at the end of the normal Sky schedules from the beginning of February.

Sky recently reached agreement with more than a dozen members of the European Broadcasting Union on the creation of a new European satellite sports channel.

Export order for truck plant

By John Griffiths

THE NEW owner of Bedford's former truck and bus-making operation has announced the first export orders for the reorganised company.

They are for 1,300 truck and bus chassis, with a declared retail value of £16m.

Mr David Brown, who controls an industrial group with its headquarters at Peterlee, County Durham, acquired *Bedford's* manufacturing operations at Dunstable in November for an undisclosed sum, and set up a company, AWD, to run it.

AWD said the largest order, for 1,000 TJ850 bonneted truck chassis, was from Saida Star Auto, the Morrocan distributor and assembler of other products of Mr Brown's industrial group. Deliveries will start in January.

Frontsource set to buy LRT Bus Engineering

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

FRONTSOURCE, a private company which bought eight engineering depots from the National Bus Company this year, has become the most likely purchaser of LRT Bus Engineering, which is being privatised by London Regional Transport.

Frontsource is headed by Mr Robert Beattie, who was at the centre of a *Commons* row over allegations that he had benefited from information gained while working as a privatisation consultant to NBC.

Mr Beattie left NBC before bidding for the engineering companies, and was cleared of any impropriety after an investigation by Mr John Moore, the then Transport Secretary.

Mr Moore said there was "no truth in the allegations that the consultant had an unfair advantage in bidding for the companies, or that he or NBC had acted dishonourably."

Details of Mr Beattie's interest in LRT Bus Engineering (BEL) emerged in a letter to staff by Mr Bill Fairhall, BEL chairman.

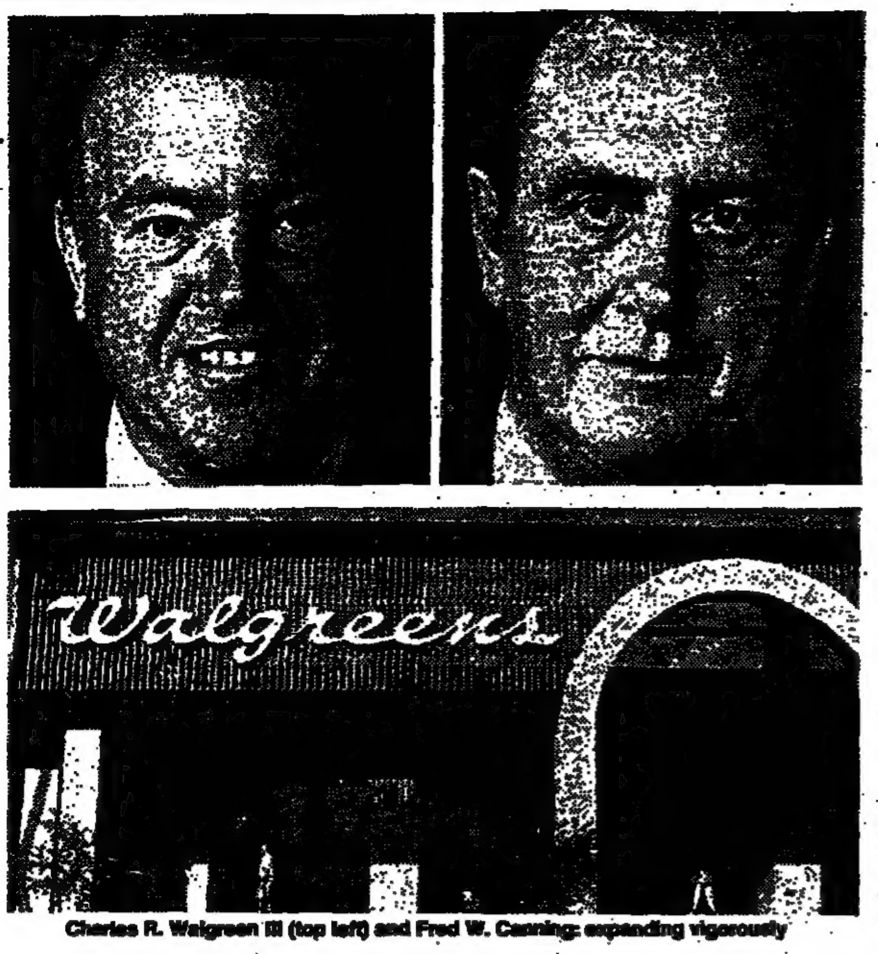
The letter followed a 36-hour strike by about 300 BEL workers, who returned to work after LRT promised to clear up uncertainty. Mr Fairhall said staff would retain free LRT travel for at least a year, with a pension scheme similar to that operated by LRT, but without index linking.

LRT has warned BEL workers the company will close if protests threaten the proposed sale, expected to be concluded soon.

MANAGEMENT: Marketing and Advertising

A prescription for growth

An ageing US population is good news for Walgreens. Deborah Hargreaves explains why



Charles R. Walgreen III (top left) and Fred W. Canning: expanding vigorously

BY THE YEAR 2000, there should be some 5m people over 85 years old in the US. This is a statistic that Dan Jorndt, senior vice president and treasurer at Walgreens – the nation's largest drugstore chain – is fond of repeating.

For a company that earns 25 per cent of its revenues from the sale of prescribed treatments, the ageing of the US population is nothing but good news. People over 70 use an average of 13 prescriptions a year, according to federal statistics, as opposed to most of the rest of the population – except babies - which uses less than half that amount.

Walgreens, which has seen its sales increase almost fourfold in the last 10 years to $4.3bn, is set to cash in on the growing use of prescriptions by expanding aggressively and pushing its proprietary technology. Three years ago, the company entered the fastest growth rate in its history – opening or acquiring 402 stores by the end of fiscal 1987.

With current plans calling for the addition of 100 new stores a year to its core of 1,400, Walgreens has spread out vigorously from its modest roots on the south side of Chicago.

In 1901, Charles Walgreen, son of a Swedish immigrant and grandfather of the company's present chairman, opened a tiny pharmacy in a then-affluent south Chicago neighbourhood. In a city that marked its 150th birthday this year, that store now forms part of its history and has been reconstructed at Chicago's Museum of Science and Industry.

However, in spite of championing the popular soda fountains of the 1920s and growing rapidly in the Chicago area, Walgreens had stagnated by the early 1970s.

According to Rick Nelson, retail analyst at Chicago's Duff and Phelps investment firm, before 1975 Walgreens was viewed as a "stodgy organisation, with ageing stores, poor diversification, floundering profits and disinterested management."

The turnround was made by the new management team of Charles Walgreen III as chief executive officer and Fred Canning as president. While the rest of the drugstore industry pursued a course of diversification, Walgreens moved back to its core pharmacy business, "which is the only thing we know how to do well anyway," comments Jorndt.

In the late 1970s, the company sold a chain of Globe discount stores in the Southwest, got out of the optical business and sold its share in a joint venture combination grocery/drugstore. Walgreen and Canning also dismantled the company's franchise system.

Recognising that the company's stores fare better in an urban environment, Walgreens moved out of some of its smaller markets to concentrate on the big cities. "If we are in a market, we want to be number one or two in market share in a relatively short period," stresses Jorndt. "If we can't do that, we probably shouldn't be there."

The typical Walgreens customer lives within half a mile of a store, visits it for about 20 minutes once a week, and spends $8-$10 on a couple of items. This means the company can locate its stores as close as two blocks apart. Once established in a major market, its policy is to spread out as quickly as possible and saturate the market, declares Canning.

This is what Walgreens is trying to do with its recent entry into the north east of the US. Last year's acquisition of the 66 stores in the Medi Mart chain – based in New England – has given Walgreens an important foothold in a market in which it had little previous strength. The company estimates it can add a further 150 stores just in Medi Mart's trade locations, which do not include New York.

After taking over Medi Mart in June 1986, Walgreens had spent over $100,000 per store by November that year in re-modelling all 66 outlets. It then hit the New England customers with a major promotional campaign of newspaper and TV ads. The "Grand Opening" advertising section in local newspapers displays two-for-one ads as well as stressing Walgreens' commitment to reasonably-priced prescriptions.

Typically, a new Walgreens store will lose money in its first year of operation, the second year will be a break-even one and it will make money in its third year. After that Jorndt sees it going steadily upwards; "a store will really get into its stride by the seventh year."

The steady upwards curve in a store's sales will depend on attracting prescription customers. These are hard to win, but, once hooked, are among the most loyal customers in retailing, Nelson at Duff and Phelps stresses.

In wooing the prescription customer, Walgreens has a very powerful ally on its side. The company's proprietary "Intercom" on-line computer system, developed over a period of six years and launched in 1984, is, so far, the only national network of its type. Intercom holds patient profiles in a central computer, which means that all customers can go into any Walgreens store and get their prescription made up to specification.

In a country with a population as mobile as that of the US and where a visit to a doctor can cost up to $100 a throw, Intercom has proved a strong marketing tool for Walgreens. The system can also print out a full medication record for customers wishing to write medical expenses off against tax.

"It allows us to be very flexible," enthuses Jorndt. "We can push a button centrally and change the entire pricing structure for one product or a new store." Walgreens has been pushing Intercom on an exclusive basis to many private medical plans, which often specify a pharmacy service.

Intercom also speeds up the handling of welfare claims, which many pharmacists are reluctant to fill, given the bureaucracy involved. The system makes it eight times quicker to complete this type of third party claim, Walgreens estimates, than doing it all by hand.

The growth of the company's prescription business and the success of its key departments has helped Walgreens achieve a store productivity level of $322 per square foot – almost twice the industry average.

The company's display unit at its suburban Chicago headquarters reviews 15 departments each month. Photographs are taken of what each display should look like and sent out to the company's stores. With this as guidance, each store will change all its merchandise every year.

The fast turnover of items enables the company to stay abreast of new products and gear its lines to match the neighbourhood.

The company has matured from being the inventor of the innocent chocolate malted milk drink of the soda fountains to its position as one of the largest liquor sellers in the US. However, in this area it competes locally against the much bigger grocery-cum-drugstores.

While the company is aiming for an overall growth rate of 14 to 15 per cent a year, "upfront" sales – all non-prescription items – last year had slowed to 4-5 per cent growth. Canning is dissatisfied with this – he is pushing for 7 per cent increases in these departments – and has formed a committee to review the return on investment of every "upfront" product.

Duff and Phelps projects that Walgreens should gradually accumulate cash to reach $235m by 1991, as opposed to $98m in 1986. This will provide a deep capital base for future acquisitions, through which Walgreens plans to add 30 stores a year.

It has no plans for diversification; 97 per cent of its annual revenues accrue from the drugstore business. The remaining 3 per cent comes from a small chain of Wags coffee shops – a remnant of the old soda fountains.

Walgreens remains unconcerned about any recessionary effects of the stock market crash; it points out that its customers make small purchases. "You'll always have $8 to $10 in your pocket," says Jorndt.

INSIDE EDGE

Exploiting all sorts of sources

Brian Palmer tells Terry Dodsworth how he has taken on Far East competition

BRITAIN no longer has a home-grown consumer electronics manufacturing industry to speak of. But Brian Palmer, a chirpy 42-year-old who has spent most of his working life in retailing, has shown in the last three years that there is still money to be made by UK companies in supplying products. And he is now edging cautiously into manufacturing in Britain.

Palmer runs a group called Hinari, a vaguely Far Eastern-sounding name which reflects the product base of the industry today. From a standing start back in 1984, the business has grown to an estimated £40m of sales in its current financial year to February, a 100 per cent increase in the last 12 months. Pre-tax profits, Palmer reckons, will come out at around £1.8m.

Hinari's development says a lot about the structure of the world consumer electronics industry today. While virtually all of its products come at present from the Far East, this is not simply a question of buying in equipment from a single Japanese supplier.

The company has a bewildering range of sources for its components, and it assembles its range of audio equipment, video cassette recorders and televisions wherever it can strike the right deal. The nature of its business is essentially as an assembler and distributor of well-tried technology – and there are scores of Japanese and other Far Eastern companies doing exactly the same.

Given these operating characteristics, there is, says Palmer, no reason why a UK company cannot do as well as a Japanese or a South Korean group. But he believes that it is important to follow a number of basic principles:

● The business has to be marketing led. Hinari designs its own products at its headquarters in Glasgow, and then takes the drawings out to its Far Eastern suppliers. "The components in a low-cost audio system have not changed that much in the last few years," he says, although the packaging has. "This is a fashion business."

● He aims to keep the company very flexible, ready to change its product lines rapidly. "British companies in the past have tended to launch products and then sell them from stock. We try to manufacture against orders. You run into financial trouble when you are carrying a lot of inventory you cannot shift."

● Product strategy also has to be innovative, constantly changing to present the public with something new. Hinari's big winner in 1987, for example, has been a digital alarm television. There was nothing unusual in the technology of this product, but the packaging and the combination of television and alarm clock offered something different, allowing a slight premium price and a television advertising campaign to get it off the ground.

● The product base should be reasonably broadly-based to allow for ups and downs in different parts of the market. Hinari also makes a range of small domestic appliances such as jug kettles, and is planning to launch a toaster shortly.

● Retailers are chosen with an eye to the company's long-term image. "I will not sell to grocery chains which use consumer electronics goods as loss leaders," says Palmer. "Heavy discounting has ruined plenty of names – you have to remain important to your customers."

● Financing also has to be as flexible as possible to allow the company to make its own decisions. "I decided early on that we would not allow any company to have a floating charge over us," he says. Growth has so far been organic, financed by a variety of banks. Palmer generally aims to pull in an order, raise a letter of credit against it, and then organise the production.

The issue now facing Hinari is how to remain as fleet-footed as it expands. Palmer is planning to start an assembly operation at Cumbernauld in Scotland next year, a move which is likely to put his workforce up to about 200 in 18 months from the present level of 65. He already does some electric kettle assembly in Glasgow, but expansion will mean more elaborate assembly processes and eventually, he hopes, a broadly-based component-buying operation in Britain.

These changes will demand more structure in the business, Palmer concedes, possibly including the injection of external equity finance. But he argues that local assembly is essential for growth; the company now needs to move into Western Europe, he says, and that means that straightforward imports from the Far East will no longer be politically possible on a long-term basis.

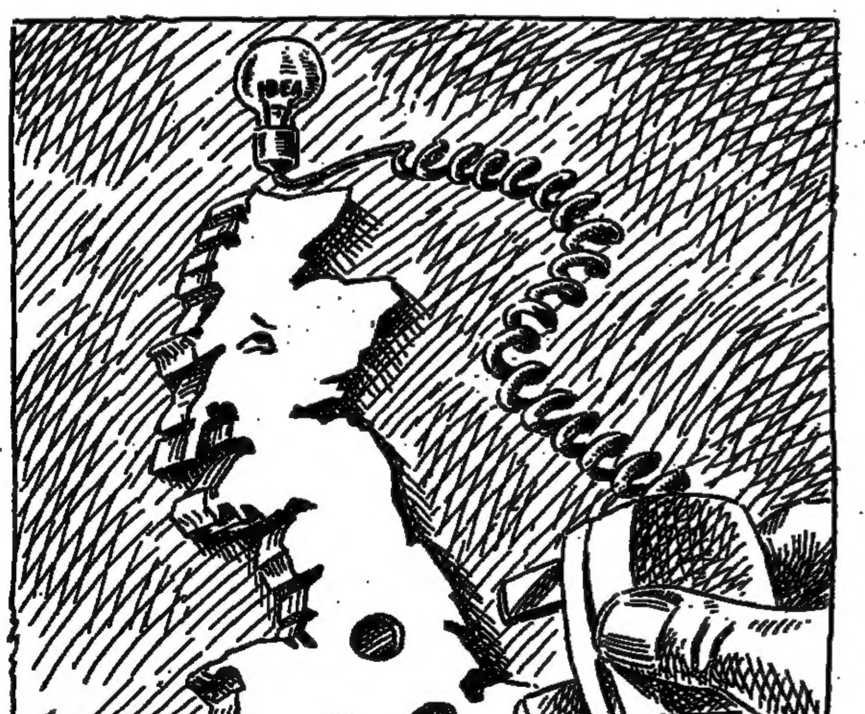
What about costs as assembly moves on-shore? "We have done our calculations, and we believe that we can assemble here just as cheaply as we can import," says Palmer. "Wages in Japan are already higher than they are here, and they are catching up elsewhere as well." He is less sure about the price of domestic components, but clearly believes that the economics of production are moving in the direction of Britain at the present moment.

Technology, of course, is a different matter. Palmer's type of operation, centred on established markets and finely-honed costings, clearly demonstrates the Japanese domination of the other sector of the industry – the new, technology-based product areas. "We are not," he says, "pioneers." It would probably take many more businesses of his kind in Europe to build up enough strength to challenge the Japanese on that basis again.

TECHNOLOGY

Why UK inventiveness is left in the dark

Clive Cookson explains how financial backers have failed to meet the specific needs of British innovators



INDUSTRIAL and political leaders frequently proclaim the importance of innovation for the future competitiveness of the British economy. But judging by a fascinating new exhibition at the Design Council in London, industry still makes it very difficult for individual inventors and small companies to get good ideas into production.

The council has put on a retrospective exhibition called the State of Innovation, to mark the second anniversary of its Innovation Centre. For this the staff reviewed the progress of 500 innovations that have been shown at the centre, and they selected 35 case histories, representing both failures and successes.

The overall message is that industry and financial institutions must translate their enthusiasm for innovation in general into a greater response to the specific needs of individual innovators.

The first point made in the exhibition is how important it is to research the potential market for the innovation. The old market adage of the right product at the right time in the right place at the right price still holds true.

Several innovations failed to sell well because they were too expensive. For example the Chester company Plain Quarters carried out considerable market research before launching its flat pack clothes storage unit. Even so it fixed the price too high at £89.95.

But some innovators got their market research just right. Martek displayed a new drill sharpener, which sharpens an electric drill bit in seconds, at the Innovation Centre in May 1986. A Japanese businessman walked in off the street and placed a large order, and Martek is now exporting the sharpener to 36 countries.

Another success is the Aim Safe guard for dental needles, which prevents dentists pricking themselves accidentally. The fear of infection by AIDS or Hepatitis B meant that the product's launch in April 1987 was well timed.

The exhibition shows that even after carrying out thorough market research, the innovator must be flexible enough to review the initial concept and change it if necessary. A good illustration is the Kinetic Energy Storage System (KESS) which takes up energy in a rapidly spinning flywheel and releases it when required.

It was developed by British Petroleum's Research Centre in collaboration with Leyland Vehicles, for use in buses. Tests showed that KESS could give significant fuel savings, but early last year Leyland Vehicles was sold to DAF and prospects for the bus market looked discouraging.

So BP adapted KESS for use in the wind power industry. When the flywheel is attached to a wind turbine, it stores energy during strong gusts and releases it when the wind drops. The result is a much smoother output of electricity. BP is now developing KESS with the Finnish company Stromberg, and having carried out successful field trials in Britain and Denmark the two companies believe there is a large worldwide market for the system.

Just as important as reviewing the idea is knowing when to stop a project and cut one's losses before too much capital has been invested.

Seven of the innovations in the exhibition have been abandoned or shelved, including Gavin Cawood's aluminium boat, the Alleycat catamaran. "You've got to know when to give up on a project," Cawood says. "Once you stop getting much feedback from all your input, you have to shelve the idea and get on to something else for the time being."

Most of the people who have exhibited in the Innovation Centre have had difficulties in obtaining finance, according to Liz May. Banks and financial institutions argue that grants, awards, loans and venture capital are available in profusion.

But the innovators themselves have a quite different view; they very rarely manage to obtain funding on what they regard as reasonable terms. Perhaps the biggest problem is getting enough initial finance to make a good prototype with which to present the idea to manufacturers.

"Our experience has taught us that there is no such thing as venture capital in this country," says Brian Keogh-Peters of Unit Load Technology. "Banks and other sources of finance are not willing to be adventurous although in the long term it could be in their best interest." Keogh-Peters claims that no bank would back the mobile packaging station his company developed in co-operation with Salford University, even though it won a place in the finals of the annual Techmart award.

The saddest story in the exhibition concerns the Queenwood Special Computer, which Ian Andrews developed for severely disabled users. Hospitals reported great success with the computer, and Andrews' company Queenwood Scientific had a thoroughly researched business plan.

But the company was rejected by every investment and financial group that reviewed its proposal, and Andrews has been left with considerable personal debts. "The realities of business finance are that the entrepreneur is let down by banks, local enterprise agencies and all the local government schemes supposedly set up to help new small business," he says.

Another theme of the exhibition is the reluctance of established manufacturers to take risks. "What is certain is that British industry is overridingly conservative in its attitude to new ideas," the Innovation Centre says. "Manufacturers require a product to be commercially proven before making a commitment and even then many are unwilling to back the project wholeheartedly."

An example is a new nut developed by the mechanical engineering department at Sheffield University, which becomes more flexible as it is deformed and is therefore less likely to break. Although many companies have expressed interest in using the nut, no one is prepared to manufacture and market it. The Science and Engineering Research Council, which originally funded the development, is unwilling to come up with more money, so the university cannot take the work any further.

"The attitude of industry makes it very much an uphill struggle to get a new idea considered," says Eann Patterson of Sheffield University. "But there are exceptions. For example, we've found that Rolls-Royce is very receptive to new ideas."

Some innovators manage to get round the conservatism of large companies. Keraflo, a small business in Aylesbury, invented a "flip-action float valve" for toilet cisterns, as an alternative to the traditional – and notoriously troublesome – ball valve. The original strategy of selling direct to toilet manufacturers failed. "While everyone thought it was innovative and answered the majority of problems associated with conventional ball valves, they didn't want to be the first to take a risk with a new concept product," says Richard Wiesz, Keraflo's marketing director.

The company therefore repackaged the product and started selling it successfully through plumbers' merchants and DIY shops as a replacement valve. Ironically the original equipment manufacturers are showing more interest in the product now that it has proved itself in the aftersales market.

The exhibition continues in the Innovation Centre at the Design Council, Haymarket, London, until April 14.

WORTH WATCHING

Edited by Geoffrey Charlish

Superconductivity put on film by NKK

NIPPON KOKAN (NKK), the Japanese engineering group, is using low-pressure plasma spraying to make yttrium-barium-copper oxide superconducting film.

The recently discovered material, which superconducts at liquid nitrogen temperatures, has difficult mechanical properties and cannot be used industrially until ways of fabricating electrical circuits from it are developed.

The NKK approach is to inject the components in powder form into a plasma (very hot gas) jet that melts them and sprays them on to the substrate.

The process, carried out in a partial vacuum, produces films up to 100 microns (millionths of a metre) thick. NKK claims this is much thicker than with other methods such as sputtering and vapour deposition, and is about 1,000 times faster.

Experimental superconducting coils have been made by the process, which is being pioneered in conjunction with Tokai University.

Security key locks out the hackers

"HACKING", OR illegal entry into computer systems, can be made more difficult with Securisign, a system introduced by Analytical Instruments of Cambridge in the UK.

After entering a personal keyboard code as the first security check, the user signs his name on a device which analyses the signature in 13 different ways, including the frequency of pen removal from paper, flow, shape and style.

If the analysis does not match stored data, access is denied.

Shell reflects on safety targets

WORMALD ENGINEERING of Manchester has been licensed by Shell Research in the UK to manufacture an instrument that is based on infra-red technology and will detect both oil mist and smoke from failed machinery.

The detection method is simple: a modulated infra-red beam is projected at a reflective target and the returned beam is reduced in intensity by the mist or smoke in between.

The achievement of the team at Shell's Thornton Research Centre is in programming a microprocessor so that it will distinguish between mist (or smoke) and any other intervening object or person.

The beam detector can provide large area coverage and is not handicapped by poor still air response, as with some point smoke detectors.

Early detection is more likely because point detectors depend on convection air currents to carry the smoke to them, whereas a beam system works if smoke or mist enters the beam anywhere along its length.

Lighting the way to less maintenance

FEWER MAINS electrical connections, less maintenance, lower power consumption and better standards of lighting are the advantages claimed for Conductalite, launched by Simplex Lighting of Tipton, West Midlands in the UK.

The system makes use of a single high intensity discharge (HID) lamp at one end of a five-metre long clear plastic distribution panel.

This 30cm-wide panel is moulded with large numbers of prismatic profiles on the inner (upper) surface and cylindrical indentations on the outer (lower) surface. The light is projected by the HID lamp's parabolic reflector in a parallel beam, above and along the length of the panel, striking a long reflector above which slopes slightly downwards.

Reflected light is trapped by the prisms on the upper surface of the panel, passes through the panel's thickness, and is distributed to the room below by means of the thousands of curved indentations.

There is only one lamp and connection. Thus, by operating two rows of the units with the lamps back to back to illuminate a 10 metre (33ft) wide strip, maintenance consists only of taking a mobile raised platform along a single run (for example, a central warehouse corridor).

The system requires less cleaning than conventional lighting, it is claimed, because the panels run cool, generate no convection air currents and so reduce the amount of dirt deposited.

Squeeze applied to value of CAD

WORLDWIDE sales of computer-aided design, manufacturing and engineering system grew by only 9.5 per cent to $4.4bn in 1987, according to Daratech, the US market research company.

The 1986 increase was 14.1 per cent and the poorer growth in 1987 was mainly because of severe competition among engineering workstation vendors and consequent price reductions by the major system suppliers that use workstation products.

In fact, 40 per cent more complete systems were sold in 1987 than in 1986.

Some companies are doing rather better than others. Mentor Graphics, which specialises in electronic circuit design systems, is set to register a sales growth of 24 per cent for 1987 and will move from sixth to fourth place in the sales rankings. IBM stays at the top with over 25 per cent of the market, and sales up by 14 per cent in 1987.

Intergraph on the other hand, will show a 1987 growth of only three per cent, but it remains in second place in the sales league, albeit neck and neck with Computervision.

"Sales of the low-cost personal computer CAD systems have skyrocketed," says Daratech and will amount to $2bn in 1987.

Daratech, which conducts a continuous survey of the industry at an annual subscription of $425, believes that acceptance of CAD technology is now virtually universal.

CONTACTS: NKK: Tokyo, 212 7111. Analytical Instruments: UK 0223 834420. Wormald Engineering: UK, 061 205 2321. Simplex Lighting: UK, 021 557 2828. Daratech: US, (617) 354 2339.


Nicholas Woodeson


Miranda Richardson


Juliet Stevenson


Albert Finney


Russ Abbott


Maggie Smith


Tilda Swinton


Brian Cox

Alastair Muir

Theatre in 1987/Michael Coveney

Dark skies lit up by stars and burning issues

IT WAS an inflammatory theatrical year, one way and another. On London's fringe, both the Bush and the Tricycle were destroyed by fire, the first when about to present a play called *Effie's Burning*, the second when it had just unveiled a piece entitled *Burning Point*.

The idea of a pyromaniac critic stalking the London outer ring was attractive, but electrical faults and accidental mischief in a neighbouring timber yard were, respectively, the more likely causes. Instant appeals led to the re-opening of the Bush in late October, while the Tricycle, more seriously gutted, is a third of the way towards an appeal target of £150,000 and on course for a late 1988 restoration.

The public was reminded that these venues are at the creative root of the British theatre – as indeed is the Big Daddy of the fringe, the Royal Court, which provoked a fearful row over its decision to present Jim Allen's *Perdition*. This was a not very good courtroom play that indicted leading Hungarian Jews who had allegedly done deals with the Nazis.

Some Jewish historians claimed the play was anti-Semitic, the author and director replied it was merely anti-Zionist. The Royal Court's director, Max Stafford-Clark, shuffled around and finally cancelled the production. He lost some credibility at large while retaining the job-issuing respect of the prominent Jews on his board who had been subjected to fearful pressure. The play was published and given a reading at the Edinburgh Festival.

After Mrs Thatcher's General Election victory in June, the Arts Minister, Richard Luce, gave the arts lobby a lecture on self-help and giving the customer what he wants, forecasting a two per cent funding increase in line with other Treasury policies of cut-back in the public sector.

His critics and detractors were routed in the surprise announcement last month of a 17 per cent overall increase in th arts budget, spread over the next three years, rising from the present figure of £138.4m to £160m pounds in 1990/91, together with incentives for raising more private sector sponsorship.

Even more radical was the clear implication that the Arts Council intends to act increasingly as an agent of investment itself in commercially-related subsidised enterprises. It already does so in hidden ways, but the path now seems clear for ever closer co-operation between the commercial and subsidised sectors. This may yet lead to a much-needed revamp of the West End system of renting theatres from owning conglomerates such as Stoll Moss and Maybox.

The current system came badly unstuck at the end of May, when four theatres in a row on Shaftesbury Avenue went dark on the same night of May 30. Grave-dancers ignored the fact that one of the shows *(The House of Bernarda Alba)* had had a sell-out run necessarily curtailed. And as the other three were adventurous flops – a self-lacerating new Peter Nichols, *A Piece of My Mind*, Griff Rhys Jones in *Arturo Ui*, and *The Amen Corner* – you could easily have turned the West End obituary notice into an indication of risk-taking boldness.

But artistic standards are low in the West End. George Cole was subdued and surrounded by a poor production in the Nichols. Alan Bates was menopausally enigmatic in the new Simon Gray, *Melon*, but the occasion was dreary. Writers like Nichols and Gray are what the West End needs, but their work demands a higher concentration of producing commitment than Shaftesbury Avenue can offer.

With producing taste merchants like Michael Codron in retreat, such writers will probably return to the subsidised fold or the television studios. In Simon Gray's case, much of his best work is done on the small screen anyway *(After Pilkington* knocked spots off *Melon)*.

Maggie Smith adorned a new Peter Shaffer play, *Lettice and Lovage*, well supported by Margaret Tyzack and the public. Another middlebrow "issue" piece, Ronald Harwood's *JJ Farr*, paired Albert Finney with Bob Peck to discuss faith loss in a home for priests, but audiences had lost their own faith and stayed away.

The big noisy hits of the West End year were *Follies* and *Back With a Vengeance*. The first was a knockout presentation of Sondheim's early 1970s nostalgic evocation of burlesque, brilliantly mixing the cool comic finesse of Diana Rigg and Daniel Massey with the technical showbiz acumen of Julia McKenzie and David Healy. These four were the mirrored marrieds around whom the ghosts of former selves and follies girls revolved.

The vengeance was all Dame Edna's, and while I think this character has gone off the boil, I yield to no-one in my admiration for Barry Humphries as the most astonishing vaudevillian of the age. His boozed attache, Sir Les Patterson, is now a creation of monumental filth and vulgarity and the grass widower, Sandy Stone, has acquired a new elegiac energy beyond the grave.

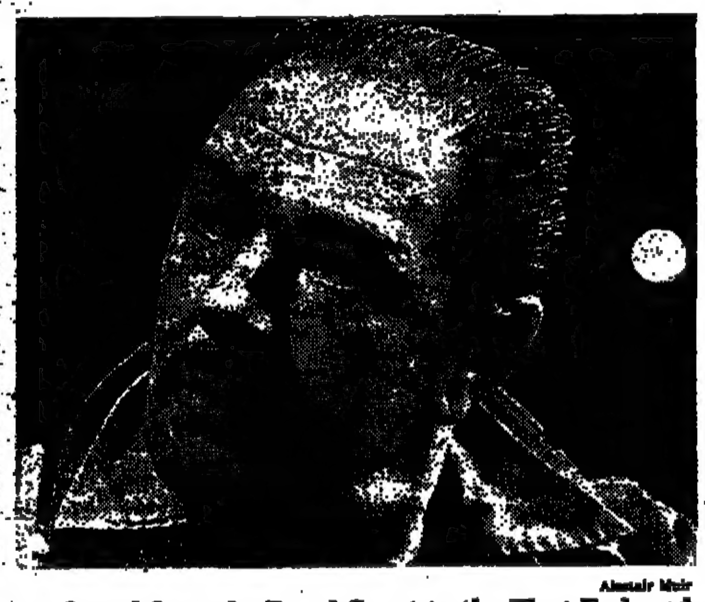
Beside these two firework displays, the West End let off a succession of damp squibs: smug Ernie Wise and lovely Lulu in the *Drood* musical at the Savoy, followed quickly on that stage by William Douglas Home's *Portraits* and the dismal, crudely wigged Thomas More of Charlton Heston in *A Man For All Seasons* (the epitome of genteel playwriting). The rearguard Royalty enterprise seeks to pretend that nothing has changed in theatre or life for 30 years: Donald Sinden directed a conventional *Importance* and Bryan Forbes a lifeless *Living Room*.

And there was Jeffrey Archer, former Conservative MP, failed financier and born-again novelist, going from a real life courtroom defence of his reputation to a fictional courtroom melodrama on stage at the Queens. *Beyond Reasonable Doubt* was London's least deserving hit since *Charley Girl*, but Frank Finlay and Wendy Craig had no qualms about flattering an identikit text with impeccable performances. Russ Abbott lit up an old Willy Russell play, *One For the Road*, proving himself a clown of some finesse and resource.

A few days after the Avenue went dark, Jonathan Miller announced his plans for the Old Vic and London has responded o his fascinating programme by booking over 10,000 subscriptions to an all year feast of Racine, Brecht, N F Simpson, George Chapman, Shakespeare and Leonard Bernstein. Janet Suzman kicks off as *Andromache* next month. The West End, on the whole, has betrayed intelligent playgoers and courted disaster by playing safe.

Peter Hall has signed a deal with the Triumph management to produce plays at the Haymarket. And we can look forward next month to John Gielgud in a new Hugh Whitemore play and Vanessa Redgrave in O'Neill's *A Touch of the Poet* (starting at the Young Vic). Otherwise, creativity is low. A vogue for reheating old Broadway warhorses did not pay off, though I thought Moss Hart's *Light Up the Sky* (with Kate O'Mara and Maxine Audley) much better than Clifford Odets's *The Big Knife* (Martin Shaw rather blunt-edged and Gayle Hunnicutt decoratively nebulous).

Another theatre was restored, the Playhouse in Northumberland Avenue, but Howard Goodall's musical opener, *Girlfriends*, was wretched in every department except Hazel O'Connor's contribution and the hazily grey silhouetted designs of William Dudley. No point in having more theatres with nothing to put in them.



Alastair Muir

Scene from Caryl Churchill's "Serious Money" which transferred from the Royal Court to the West End; and two towering performances – Judi Dench as Cleopatra and Michael Gambon as Eddie Carbone

Richard Eyre did some dramaturgical juggling with *High Society* and ended up with a Cole Porter songbook and niftily attractive performances by Stephen Rea and Natasha Richardson. Overall, though, tackiness reigned, as it did in the Royal Shakespeare's *Kiss Me Kate* which came to the Old Vic after a February Stratford-upon-Avon opening. Nichola McAuliffe was fine as Kate, Paul Jones a dull Petruchio.

These two musicals showed the subsidised theatre talents cashing in, though not selling out, with mixed results. You got the feeling that in neither case were people really doing what they were best at.

Richard Eyre takes over at the National later next year. It will be interesting to see if he can avoid the deadening respectability of such NT revivals this year as *Waiting For Godot* (well acted by Alec McCowen and John Alderton), the Pirandello *Six Characters in Search of an Author* (Barbara Jefford imposingly marmoreal as the Mother), done with more reverence than fun, and an adaptation by Brian Friel of Turgenev's *Fathers and Sons* (memorable chiefly for Miss Jefford again and Robin Bailey's fruitily surprising peasant pere).

Alan Ayckbourn's NT mob was much livelier, re-establishing Arthur Miller's *A View From the Bridge* as a backstreet tragedy of fewer structural flaws than previously assumed, and offering, in *A Small Family Business*, a comically epic view of little England on the fiddle.

Michael Gambon gave one of the greatest performances I have ever seen as Eddie Carbone in the Miller. To see that huge bear-like frame shaking with an incomprehensible passion was to witness something as purgatively terrifying as the destruction of all those massive oak trees in the freak storm which swept through the south of England on October 15.

Gambon's art owes much to his playing of Ayckbourn in the past and, in *A Small Family Business*, he continued in irresistible tragi-comic vein as the lumber Jack, head of a family furniture firm (Ayres and Graces) caught up in an international drug ring.

Here was a nation of shopkeepers becoming a nation of shoplifters. The play had zest and sweep, as well as an apt contemporary sordidness. Gambon was brilliant, but did not overshadow Polly Adams, Simon Cadell, Marcia Warren or Elizabeth Bell in a very fine company.

There were two other great NT performances this year: Judi Dench's Cleopatra and Juliet Stevenson's Yerma. The first, in Peter Hall's faultless panoramic Olivier staging, surprised in its intensity and carnality, but not in its beauty, skittishness and climactic serenity.

The second, in an underrated Cottesloe staging by Di Trevis, rephrased Lorca's maternity lust as a spiritual fight for freedom. New complexities were revealed, new territory charted by moving the boundaries.

Map-reading even more perceptive led to the NT's international season, organised by Thelma Holt, which ran through the year and embraced such unforgettable productions as the Berlin Schaubuhne's *The Hairy Ape*, the Royal Dramatic Theatre of Stockholm's *Miss Julie*, and the Ninagawa of Tokyo's *Medea*.

Not since the old World Theatre Seasons has there been such a feast and, as I travelled elsewhere in Europe to celebrate the Piccolo Theatre of Milan's 40th anniversary, or to catch the stunning Peter Sellars version of Sophocles' *Ajax* in Stuttgart, or to luxuriate in the tumultuous Lucian Pintilie revival of Pirandello's *Tonight We Improvise* in Paris, I felt that maybe we were not so cut off by the channel after all.

The Royal Shakespeare Company demonstrated clearly the dangers of self-absorption by having nothing new to say about *The Balcony*. This drab tribute to Genet in the Babican was much improved upon by Gerard Murphy and Miles Anderson in a *Maids/Deathwatch* bill in The Pit.

But the RSC had another disappointing year in the Barbican, the Royal Insurance record £1m three-year sponsorship being rapidly devoured by a running deficit (equal to that amount) and poor box office returns.

It was a different story in Stratford-upon-Avon, where two actors dominated a fine summer and autumn season.

In the red corner I give you Antony Sher, master of disguise and transformation, as a savagely canine Shylock, a madcap Greek Orthodox Malvolio and a murderous Vindice in *The Revenger's Tragedy*, a mournful hermit beating himself to life as a glittering death-dealer.

And, in the blue corner, Brian Cox, a bruised and stolid mitigator of grief, rumbling into action as an insomniac advertising executive in Doug Lucie's scabrously satirical *Fashion*, an aghast and cadaverous Titus Andronicus, and a patiently educating Petruchio to Fiona Shaw's childishly repressed Kate.

The Shrew was directed against the regular apologetic or hectically farcical grain by Jonathan Miller. Another guest RSC director was Nicholas Hytner, who followed a Royal Exchange, Manchester, *Don Carlos* of chill ferocity (Ian McDiarmid notable in the lead) with an intelligent, well considered and superbly executed *Measure For Measure*. Roger Allam, a fine Brutus in an otherwise poor *Julius Caesar*, was a compulsively self-exploratory Duke, Josette Simon a striking if underpowered Isabella.

Mark Thompson's design, one of the year's best, gave us a Vienna turned inside out in the post-modern architectural style of the Pompidou Centre. The prison was a subverted house of commerce, the Lloyds building on skid row.

All three Stratford houses showed interesting work. In The Other Place, Bill Alexander conjured a full-text *Cymbeline* of hypnotic simplicity, Nicholas Farrell, Harriet Walter and Bruce Alexander completing a varied year's programme from which I also select John Shrapnel and David Bradley (a superb, spindle-shanked Aguecheek, incidentally) in Vaclav Havel's *Temptation*.

But you feel everyone in the RSC wants to work in the Swan. Alun Armstrong let rip there as Marlowe's *Jew of Malta*, and John Caird continued his Ben Jonson excavations with a glowing joy-giver of the author's post Masque, late Shakespearian phase, *The New Inn*. John Carlisle spoke with distinction some of Jonson's finest verse, Fiona Shaw caved in, Griffith Jones and other lovely old boys pottered about. *The New Inn* at Barnet was the Swan of Avon.

The RSC has not yet resolved how best to show the Swan repertoire in London. The Mermaid has not been a success. It is a tunnel theatre with an end stage, nothing like the galleried, intimate Swan. The Chernobyl play, *Sarcophagus*, was transferred there from The Pit and was exposed as a routine hospital drama, in spite of Nicholas Woodeson's electrifying bursts of cheerful lunacy as the sole inmate of a radiation ward – before the accident at Reactor Number 4.

Chernobyl has changed our view of the planet, just as the Big Bang has transformed the commercial and social life of the City of London. Caryl Churchill's *Serious Money* at the Royal Court seized this moment and was the play of the year. This machine-gun report from the markets' front line, the world of take-overs and insider dealing, was only marred by a fuzzed plot line and some limp doggerel among all the more welcome, yelping crudity.

Alfred Molina, Gary Oldman and Linda Bassett were outstanding in a Max Stafford-Clark production that hummed and soared before progressing in triumph to the West End and New York. Yuppies were put out that the Royal Court's bar did not stock champagne.

Full recovery from the *Perdition* debacle in Sloane Square was signalled by a brilliant Theatre Upstairs collaboration between Jonathan Miller (that man again) and Michael Hastings on *The Emperor*, a whispering corridor account of life in the last days at Haile Selassie's Ethiopian court. Stephan Kalipha and Nabil Shaban were among the expressive pawns in the power game.

The Court capped a remarkable year with Simon Curtis's production of Sam Shepard's haunting physical and psychological trek across *Middle America* (the piece was a companion to the Wim Wenders film *Paris Texas* that Shepard scripted). Will Patton was a welcome transatlantic guest as the tortured hero. Geraldine McEwan gambled, perhaps not enough, and was different, and Miranda Richardson jabbered her way unforgettably back to sensibility.

Another good year, too, for the Almeida in Islington, which brought us the mesmerising Tilda Swinton in Botho Strauss's *The Tourist Guide*, Tattoo Theatre from Yugoslavia, and Robert Wilson's *Hamletmachine*. Pierre Audi's internationalism and enthusiasm are always exemplary. Together with the London International Festival of Theatre, LIFT, and Michael Morris at the ICA, he leads a splendid vanguard thrust that we should respect and nurture as much as we should Thelma Holt's more upmarket efforts.

LIFT's fourth biennial gave us the wonderful Russian *Cerceau* by Victor Slavkin and a Mexican *Donna Giovanni*, among much more. The ICA focussed on the latest native ensemble developments in a useful "Homework" season. The Place continues to mix dance with experiemntal drama. Ken Dodd came to the Hackney Empire.

More traditional new work at Hampstead included a fine bleak comedy, *Curtains*, by Stephen Bill for which Stuart Burge assembled an all-star cast: Bridget Turner, Gwen Nelson, Alfred Lynch and Ralph Nossek set the pace. They were followed by David Suchet and Saskia Reeves in Tom Kempinski's *Separation*, and both plays were soon West End bound from Swiss Cottage.

The Bush came late with one of the funniest plays all year, Jacqueline Holborough's *Dreams of San Francisco*; Sarah Winman was a notable newcomer, Caroline Holdaway and Joanna Monro hilariously conflicting feminist thespians.

But really new writing developments happen elsewhere. The value of places like the Old Red Lion in Islington and the Orange Tree out at Richmond was underlined with Philip Davis's *Skulduggery* and Martin Crimp's *Definitely the Bahamas* (directed by Alec McCowen, beautifully played by John Moffatt, Heather Canning, Amanda Royle and Rob Edwards).

I also treasure the memory of Patti Love's production of Ferdinand Bruckner's extraordinary *Pain of Youth* at the Gate, Notting Hill (Joanne Pearce's neurasthenic Desiree, going over the brink in Inter-War Vienna); and of a dangerously candescent display by newcomer Hollie Garrett as a masturbatory Madonna in Heiner Muller's *Quartet*, a play based, like Christopher Hampton's, on *Les Liaisons Dangereuses*, at the Finborough Arms near the Old Brompton Road.

The Edinburgh Festival was the usual ferment of activity, but the official programme needs to spring on us companies more up-to-date than are the Berliner Ensemble and the Gorky of Leningrad.

The regional theatre was generally disappointing this year, but the reliably unpredictable Glasgow Citizens did a fine Schiller, *Joan of Arc*, and the Royal Exchange in Manchester maintained standards and, courtesy of a Mobil Oil sponsorship, has produced two fine, bristling new plays, *Mumbo Jumbo* by Robert Glendinning (premiered last season, this year at the Lyric, Hammersmith) and *A Wholly Healthy Glasgow* by Ian Heggie.

The North West remains the most productive area in British theatre, with excellent work at the Contact and the Library (whose Forum production of *The Rink* is London-bound). High hopes, too, in the North East, where Andrew McKinnon has just been appointed director of the Tyne and Wear Company after a good stint at the Theatre Royal, York.

We wait to see how new artistic directorships in the Midlands shake out, but the Leicester Haymarket and Birmingham Rep are nothing if not interesting at the moment. No sign of resurgence at the Nottingham Playhouse.

Finally, I must salute here the adventurous, go-getting realignments led respectively by Michael Bogdanov and Kenneth Branagh. Bogdanov's English Shakespeare Company, barnstorming the big regional theatres and the Old Vic with the Prince Hal trilogy, was cruelly deprived in October of one its leading members, the excellent John Price. His Hotspur and Pistol, alongside Michael Pennington's Hal and John Woodvine's Falstaff, must serve as fit testament to a career of vigour and integrity, untimely struck down by a stroke.

Branagh's Renaissance Theatre Company was launched by the actor doing a James Cagney turn in his own play, *Public Enemy*, at the Lyric, Hammersmith. A determined campaign to break the monolithic subsidised houses' hold on top talent has since presented John Sessions in his one-man *Napoleon* show and Richard Briers as Malvolio in a wintry, Edwardian *Twelfth Night*.

These projects, like Jonathan Miller's at the Old Vic, are pumping new vitality into the British theatre and deserve all the support and sponsorship they can muster.

The same goes for Cheek By Jowl, who scooped a generous London Weekend Television prize to facilitate a New Year production of Sophocles' *Philoctetes*. The company is obviously making good progress from small-scale to middle-scale touring status, as evidenced this year in a *Macbeth* (Keith Bartlett and Leslee Udwin as the unhappy couple) of brilliance, ingenuity and excitement.


Roger Allam


Barbara Jefford


John Sessions


Alan Bates


Barry Humphries


Nicola McAuliffe


David Suchet


Anthony Sher

Alastair Muir

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BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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G7 offers a trinket

THE MOST invitingly-wrapped Christmas present often turns out to be the most disappointing. After tearing one's way through layer after layer of wrapping, one finds inside no more than a modest trinket.

The Group of Seven statement released early yesterday falls into this category, the publicity surrounding the preparation of the statement being the wrapping and the statement itself the trinket. Politeness suggests enthusiasm, but the enthusiasm has to be restrained if it is not to lose plausibility.

A striking feature is the contrast with the mood of self-congratulation that existed as recently as September, during the IMF and World Bank annual meetings. At that time, Mr Nigel Lawson, the Chancellor of the Exchequer, referred to the Louvre accord as a "success" despite the "widespread scepticism when it was first concluded seven months ago", pointing to the exchange rate stability that had been maintained during that period.

Mr Lawson then proposed an ambitious scheme for international economic co-ordination, built around target zones for exchange rates. Mr James Baker, US Treasury Secretary, was also swept away by the enthusiasm of the moment, making proposals that included a renewed role for gold. Meanwhile, the Japanese and West German authorities muttered that if anyone thought he would write a blank cheque to finance US profligacy he would very soon be disappointed.

Disappointed everyone very soon was. Just over two weeks later, the Americans and the West Germans publicly fell out, the US announced dismal trade figures, and the roof promptly fell in on the world's stock markets. Whereupon, the dollar, too, started to fall.

It is as sadder and wiser men that the Group of Seven appear today. Far from going forward from the Louvre Accord to more ambitious schemes for exchange rate management, they have stepped backward in two important respects.

First, where the Louvre Accord said "in current circumstances they (ministers and governors) agreed to co-operate closely to foster stability of exchange rates around current levels", the new statement says they "agreed to continue to co-operate closely *in monitoring and implementing policies to strengthen underlying economic fundamentals* to foster stability of exchange rates" (our emphasis).

Second, where the Louvre Accord asserted "the substantial exchange rate changes since the Plaza Agreement will increasingly contribute to reducing external imbalances and have now brought their currencies within ranges broadly consistent with underlying economic fundamentals", the new statement merely remarks that "either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilising to the adjustment process, could be counter-productive by damaging growth prospects in the world economy".

It is not that policy-makers could not have stabilised exchange rates, if they had really wanted to. To do that, however, they would have had to orient their policies to that end, whatever the domestic consequences. What has been learned, yet again, is that the governments of the big countries are not prepared to subordinate their domestic objectives in this way.

The hope is that policy changes taken so far will prove sufficient to secure reasonable exchange rate stability. Here the self-congratulatory tone survives, with the new statement pointing to the agreement to cut the US budget deficit, to the expansion of the Japanese economy and to the reduction in interest rates in Europe. The view, reiterated by the OECD only two days ago, that these policy changes do not begin to go far enough to eliminate (or even to reduce dramatically) the US current account deficit should be emphasised, but policy-change has at least been in the required direction.

Was the statement worth the effort? It can do no obvious harm and it is surely worth knowing that policy-makers enter 1988 in a chastened and realistic state of mind. As a reminder that the authorities now recognise what they will not and cannot do, the statement should perhaps not be thrown away early in the New Year, along with the other unwanted presents.

Not just one foundation

ONE OF the paradoxes of Britain in the 1980s is that although the country has a radical government in matters of economic and social policy, constitutional and even institutional reform are out of fashion. The only political movement to pay much heed to the subject in the general election was the Alliance and it found very little resonance in the campaign.

Yet the Alliance had a point. "Democracy in Britain," it said in its manifesto, "did not just happen. It was the product of reform." The process, it added, had virtually stood still since the introduction of universal franchise in 1928. And it is indeed remarkable how much of British life is governed by laws and customs which, while widely agreed to be imperfect if not downright harmful, remain unchanged.

Who would have thought, for instance, that in the 1980s the most effective opposition to a Conservative Government would be the House of Lords? It may be said that almost any restraining influence is better than none, and that one day their lordships could be equally troublesome to a government of the left. But it remains strange that so much influence should be entrusted to an unelected body without more general complaint.

Secrets

Reform of the House of Commons meanwhile has almost ceased to be discussed. There used to be talk of reducing the number of members - one of the most desirable reforms of all - but it has gone out with such departed MPs as the now Lord Pym. The cross-party Select Committees have hardly made the mark they were intended to in the way of eliciting information. In the last session proceedings in the Lower House became sufficiently unruly for the Prime Minister to claim that admitting the television cameras would bring Parliament into disrepute. It is an odd approach to democracy, but again the people seem not to object.

Next month the House will return to an old question: how to reform Section 2 of the Official Secrets Act of 1911, which says in effect that all official information is secret unless officially labelled otherwise. The case for reform is not so much that there is an absence of information, as that the existence of the Act tempts governments to use it in bringing prosecutions against those who dispense information and those who receive it. Almost invariably the government of the day ends up looking silly. Yet reform has proved elusive and may still.

Similar points may be made about the shortcomings of the legal system in general: the law's delays, the lack of simplification and the failure to write and speak in language that people can understand. The thrust is the same: there has been an extraordinary passivity in putting up with procedures that should have been changed long ago.

It may be that Parliament is right in not seeking to move head of popular opinion on these matters, although the steady recourse of citizens to the European Court to appeal against legal rulings in England suggests a growing awareness that all is not well.

It is also notable that other institutions - the monarchy and the Church - have been evolving rather faster than Parliament. If anyone asked where liberalism resides today, the answer would be with them rather than with the House of Commons.

Perhaps those are the checks and balances of the unwritten British constitution: when the House of Commons moves one way, the Lords, the monarchy and the Church move another. If so, the balancing act looks a bit precarious: not to be counted on for ever. In the end Parliament can only reform itself; at present it seems to have given up trying.

Carla Rapoport tours Tokyo's supermarkets and jewellery stores and finds that Japan's new rich have lots of money to burn

A yen to spend and spend

STROLLING around Tokyo this week, one could be forgiven for thinking that Christmas is a national holiday in Japan. The stores are groaning with Christmas goodies and the Japanese are buying them at a furious rate.

December 25 is a normal working day in Japan, but the Japanese have latched on to Christmas as a time for parties, cakes and gifts. Thanks to the increasing wealth of the country, however, they are buying and giving gifts at a rate which would stun even the most generous Santa Claus.

Racks of mink coats can be found in Tokyo supermarkets. Sales of diamonds, rubies and paintings are scoring unprecedented gains. Gold coins are so popular that jewellery shops in the Ginza shopping district are stacking up krugerrands next to the necklaces. Despite their traditional frugality and high savings ratios, the Japanese are learning to love luxury.

Even the craziest novelty items are selling out. A shop in Shinjuku, for example, ran out of its singing underpants earlier this week. The $25 (£13.7) "Melody Shorts" play tunes such as Silent Night when light hits the gusset of the garment. Meanwhile, sales of $20 Christmas bottles of canned oxygen are hitting record levels at the Takashimaya department store.

This kind of conspicuous consumption is bringing joy to Japanese retailers. "It is the best year-end period in our history," says a delighted Mr Hideo Hamagouchi, adviser to the general manager of merchandise and sales at the Isetan store group. "Customers are definitely looking for more expensive goods. We had a lot of worries after the Black Monday stock exchange crash, but we haven't had any problems at all."

But something more is going on than simple indulgence. The Japanese have long prided themselves in being a nation of middle-class people, with almost no poor and very few ultra-rich. Now, thanks to the emergence of the super-yen, soaring land prices and the recent stock market boom, Japan is starting to develop its own upper class.

Government statistics released this month spotlight the trend for the first time. The top 20 per cent of Japan's wage-earners saw their income increase by 3.6 per cent in the first nine months of the year, compared to an average overall growth of 1.6 per cent and just 0.5 per cent growth for the bottom 20 per cent.

"It's clear, there is an income gap growing in Japan. The middle-class is starting to fragment," says Mr George Fields, head of ASI Market Research in Japan. "Soon Japan will no longer be able to claim this wonderful we-are-all-middle-class phenomenon."

The impact of this development on Japanese society will no doubt be significant. Today, however, it is too early to say that class friction is about to arrive in Japan. In the meantime, it is already clear that Japan's new rich are much happier about buying things – domestic or imported – than any other group in the nation's history.

For generations, for example, the traditional Japanese gift at the year's end has been a beautifully wrapped item of food, such as seaweed or green tea. But even these gifts, called *O-Seibo*, are moving up-market.

Tokyo customers this week could buy a gift package of award-winning beef at a local department store for Y100,000 ($431) a kilo. Other stores offer air-freighted crabs from Hokkaido, delivered to the recipient's door. Among the most popular *O-Seibo* gifts, unthinkable a few years ago, are imported jellies and jams from Europe.

The high yen has helped sales of imports in Japan, but more from the seller's point of view than the consumer's. Prices of luxury imports are still sky-high. For the price of a top-line Rolex watch in a Tokyo department store, one could fly to Geneva, buy the watch, and fly home with money to spare. Retailers' eyes tend to glaze over when the subject of cutting the prices of imported goods comes up. But price does not seem to be important to Japan's new rich.

"Five years ago, we had customers buying one Dunhill lighter as a status symbol. Now, they will scoop up a pocketful. Many customers already own a dozen different Dunhill products themselves," says Mr David Coleridge, marketing manager for Alfred Dunhill in Japan.

"The surge of the stock market (and in land prices) has given us a lot of affluent people. For them, a couple of million yen means absolutely nothing," says Mr Akio Kohno, chief economist of UBS Phillips and Drew International in Tokyo. "A new upper class is emerging – it is not established yet – but these people are not just wage-earners; they are people living off their investments."

According to Mr Hamagouchi, these "capital gainers" are pushing up Isetan's sales of diamonds, pearls, gold jewellery by between 15 and 20 per cent, compared to an overall sales increase of 6 to 7 per cent. Tokyo's stock market has fallen less sharply than other major bourses since October and land prices are still strong. As a result, retailers expect the trend to luxury will be a lasting one.

For the foreigner in Tokyo, the prices translated into dollars or pounds can ruin almost any shopping expedition. But to the new rich in Japan, the value of the yen is academic. Mitsukoshi, one of Japan's largest department store chains, reports sales of one carat diamond rings, from Y1m to Y2m, up by a staggering 50 per cent in the last few months. Emeralds and rubies are up by 30 per cent, paintings up by 30 per cent.

At a Mitsukoshi supermarket the Y300,000 mink jackets hang near the beer and wine. "Those coats are a sort of expensive sweater," sniffed a Mitsukoshi spokesman.

The affluence is aided by the high price of land, which has meant that purchasing a home is impossible for many people. Instead, such people are lining their homes with luxury goods.

Television shows have sprung up to cater to the country's growing upper class. One, called the Shopping Game, recently offered a chateau in the Loire valley for Y250m. Other popular items on the show have been London taxis (Y6.5m), a sculpture by Rodin (Y550m), Andy Warhol silk screen prints and vintage American cars.

The new affluence is also behind Japan's recent emergence on the international art scene. Government statistics show that imports of art objects grew by 180 per cent in the first 10 months of this year to Y87bn.

"The Japanese will become an increasingly important force in the world art market; we count on it," says Miss Kazuko Shiomi, Sotheby's representative in Japan. The Japanese collector, she says, is not worried about price these days.

"The concept of money's worth doesn't exist here. An object can give you respect, especially if everyone knows how much you paid for it," says Miss Shiomi. This accounts, she says, for the Japanese preference for the works of well-known artists.

It all adds up to a wealthier Japan. "The Japanese customer is the fussiest customer in the world. But he'll also spend more than anyone else in the world," says Dunhill's Mr Coleridge. "If you've got a good product, you can sell it in Japan. Otherwise, don't bother."

Wizards and Spells

Saga of the Golden Share

This is the saga of the Curse of the Golden Share, such as wise men often still tell in the Deep Midwinter, that according to the Ancient Runes all may learn that what shall be publick shall not easily be made private.

Because a great age ago, in the time of the bulls, it came to pass that the wisdom of the oracles Rths-Chld of the New Court and War-Brg of Mercury was fulfilled. They prophesied to the Son of Lw, the Keeper of the Queen's Treasure, that there would be discovered Keys to untold wealth that lay buried unsuspected within the Publick Sector, which previous had been considered to be a wasteland.

So the Son of Lw determined to fulfill his true and glorious destiny and break free of the shackles of the huge and crippling debts which he had inherited from a former Keeper, He-Ley.

The Great Quest

And first he travelled on his Great Quest from the White Hall far along the Strand and over the hills through the Gateway of Lud to the distant Citie of the Merchants.

Fear not, they cried, for currencie virtually without limit could be supplied in exchange for precious items, be they Crown Jewels or only Family Silver. By dint of the Keys of the Prospectus, they could be converted into Scrip which not only local tribes would seek but also buyers without number from the Lands beyond the sea.

Yet first the Son of Lw needed the power to see and retrieve the buried assets in the Public Sector. For others had tried a generation before him – for instance to sell the Mountain of Steel, only to be consumed in the fiery furnace.

And a Wizard

One person surely could help – the Wizard Woman Thtchr, Mistress of the Chequers – even though she was much feared, and of the many who sought to share her powers, such as Hesel the Tine, or Leon the Briton, few lasted long.

And truly she was mightily impressed by his plan to redeem wealth on behalf of the Lords of the Treasurie, and forthwith granted him the magic talisman which would enable him to decide between true treasure and fool's gold.

For some stuff that glisters is precious oil which raises a boundless greed in mankind, while other is only the water which flows in abundance and cannot be turned to value even by the most powerful Key of the Prospectus.

"Go and reap," she commanded, "for those of conservative wisdom and enterprise deserve to accumulate wealth. But be wary that no man shall gather riches without regard to sovereignty. The Publick Sector shall not be stripped bare; some hold upon these jewels must remain. I lay this burden upon you, that if your greed should overwhelm your judgment you shall suffer the Curse of the Golden Share."

Thereupon the Son of Lw's eyes were opened, but only partway; and he saw the wealth to be gained but not the danger from the powers that would be unleashed when the time of the bears came.

Rook and Rings

He set to work with a fine will. The first Key led him to the source of the Power of the Messages, the whispering voices that in those days of magic and mystery seemed to communicate with the very ends of the earth and even out to the very stars themselves.The Power was controlled by the Lords of the Rings.

There was worshipping of the idol Bus-by and a great rush to purchase the Scrip, by both the Lowest and the Best in the Realm.

And Lo! Before many seasons had passed the Son of Lw had tracked down a new centre of Energy, where the foul-smelling gases belched out from deep within the Earth as though from Hell itself.

But the Source had a Guardian, a great dark Rook who sent terror through all men when he flapped his huge wings. The Rook would not forgo his power to make the gases surge or dwindle at will. Then the Son of Lw, who had considerable cunning, brought forth the Key of the Prospectus, and under its magical inspiration offered a sacrifice. He ordered his men to seize a wretched servant called Of-Gas, who for ever afterwards would be kept in torture and humiliation to gratify the desires of the cruel Rook.

Stag hunts

Thus, once again, the merchants from the Citie were mightily pleased and the hoards of citizens purchased the Scrip and the Queen's Treasurie was greatly in benefit.

So passed the years, with the sale of Brt-Oil, and of the Airways, and of many other jewels besides; and all the while the Son of Lw's avarice grew stronger and his memory of the warning of Thtchr became dimmed.

And as the time of reckoning drew nigh herds of stags roamed the land, defying all attempts to hunt them down: some soothsayers proclaimed they were a plague sent as punishment. Dark clouds gathered over the Citie and a huge wind blew of such strength that the very marketplaces were closed. Men saw the signs; they looked to the West, and they looked to the East, they saw great losses and distress and they were sore afraid.

But the Son of Lw was ignorant of these warnings. He saw only the wealth which would accrue from his greatest discovery yet, the Key to Brt-Pet. And he spake unto the merchants: "You shall pay untold treasure for you have given your word upon oath." Surrounding him they begged: "Have mercy, for the powers of darkness gather. Release us from our pledge."

Notwithstanding which the Son of Lw was without pity. "I shall not yield my ground," he cried. And at that moment the darkness grew still greater and the Citie was plunged into a Day of Blackness which shall never be forgotten. The storm raged and the earth heaved and the tempest blew from out of the East at dawn and from out of the West when noon had passed. Yet at the height of it all it seemed that the Son of Lw could hear a piercing voice, like that of Thtchr, the Wizard–Woman herself, intoning: "Beware the Curse of the Golden Share.

Pirates

Soon the storm passed but there followed many days of desolation in the land.

And with dismay the Son of Lw discovered that his powers had gone. For in his anticipation the next Key was to be even more precious, allowing him to harness the awesome Power of the very Lightning that forks from the heavens. But the Prospectus could not be drawn up that would not crumble into dust before his very eyes.

Worse tidings were to ensue. The dreaded Pirates of Araby were approaching. And there came news that two of the Moguls of Commerce were endeavouring to seize one of the former jewels of the Publick Sector – Brt-Oil.

And the true meaning of the Curse at last became clear to the Son of Lw. For he could not sell the Golden Share, and for all eternity he was doomed to watch over Brt-Oil and all the other jewels in fine weather or in tempest, in time of prosperity or of famine.

Order to pay

In torment he turned again to the merchants of the Citie. But they said :"Buy back your Publick Sector treasures or there will be further gnashing of teeth and the Pirates of Araby will roam further and further within the realm.

And so the Son of Lw went to his Counting House and looked inside the great Chest of the Queen's Treasure, which was filled to overflowing with currencie. And with a heavy heart he instructed his bankers to pay. Thus it came to pass that a Gaping Void occupied the Treasure Chest.

At that time the Feast of the Midwinter Darkness was nigh, when the countryside was frozen and still, but when there was much drinking and carousing within the inner portals of the citadels.

Yet for the Son of Lw, and for his supporters, there was no merrymaking that year, nor for many a year to come, and from that time to this the merchants of the Citie have been in resolve to close their markets at the Feast of the Gloomy Solstice for fear that the Power of the Curse still lingers.

Barry Riley

THURSDAY BOOK REVIEW

Ghosts and Scholars: Ghost Stories in the tradition of M.R. James

Selected by Richard Dalby & Rosemary Pardoe
Crucible (Thorsons), £12.95

The Virago Book of Ghost Stories

Edited by Richard Dalby
Virago, £12.95

"I WAS ASKED," confessed Henry James, "for something seasonable by the promoters of a periodical dealing in the time-honoured Christmas toy". The toy in question was a tale in which an event not explicable in natural terms violently disturbs the course of peaceful, domestic life, in which the reader encounters at least one ghost. James fulfilled his commission, which came from the editor of Collier's Magazine, with The Turn of the Screw.

The appetite of the reading public for such a toy at Chistmas had been time-honoured since the era of Dickens. It was designed not just to be read at Christmas but to be read aloud (by father usually after that enormous meal), a point that readers of ghost stories tend to overlook today when reading them silently, thereby losing half the fun. Dickens's own rendition of A Christmas Carol had people fainting in the aisles with fright. It was his greatest performance. (The last writer/performer of ghost stories was the broadcaster Algernon Blackwood on radio).

One Victorian family whose gifted members regularly wrote and read ghost stories to each other was that of Archbishop Edward Benson(1829-1896), his wife, three (originally four) sons and a daughter. A new anthology, *Ghosts and Scholars*, includes stories by Arthur C. Benson and, even more interestingly, by his younger brother Robert Hugh who became a Roman Catholic. His story, Father Macclesfield's Tale, about an elderly Protestant husband who returns to haunt his young Catholic wife, has many of the standard ingredients, a cleric as storyteller, an isolated country house, a hidden punitive element. The anthology, which revives well wrought tales by many forgotten writers, is subtitled, Ghost Stories in the Tradition of M.R. James.

That tradition was in essence a bachelor donnish one. "Monty" James, Provost of King's College, Cambridge, and then of Eton, would read his tales aloud to a small group of clerics and academics invited to his rooms in college. His biographer Michael Cox describes the scene: "Monty emerged from the bedroom, manuscript in hand ... and blew out all the candles but one, by which he seated himself. He then began to read, with more confidence than anyone else could have mustered, his well-nigh illegible script in the dim light."

It was this kind of atmosphere, with the expectancy of the audience artificially heightened, that Henry James described in the prelude to The Turn of the Screw. Instead of being in a college, the reader is amid the convivial after-dinner warmth of an Edwardian country-house Christmas party. The majority of the guests are men, but there is at least one woman

A similar atmosphere is depicted by Henry James's disciple Edith Wharton in her story The Eyes. She adopts a male voice: "Seen through the haze of our cigars, and by the drowsy gleam of a coal fire, Culwin's library, with its oak walls and dark old bindings, made a good setting for such avocations ..."

The Eyes appears in *The Virago Book of Ghost Stories*. Since the 18th century women novelists have attempted supernatural tales; although Mrs Radcliffe was more interested in the sublimity of landscape than in the rattling chains and monstrous apparitions which tended to be introduced perfunctorily.

In the brittle inter-war years, ghosts and psychic phenomena came in for quite a lot of stick from the likes of Noel Coward. There was the ghost of that rather rowdy nun murdered in 1351 by a resentful younger son: "And people who come to call/ Meet her in the Hall". Then Coward aired the notion of the returning marital ghost in Blithe Spirit which was hilarious but also uncomfortable.

As the Virago book, which concentrates on the 20th century, demonstrates, far from fading, the ghost story has continued to flourish. It finally lost its live broadcast after lunch on Christmas day at the time of George V. It was then that the Sovereign's Christmas message began to replace it as the one time when the whole family gathered round to listen

However, the library novelists of the 1930s, Enid Bagnold, F. M. Mayor, Winifred Holtby, Stella Gibbons, D. K. Broster and others, produced notable examples of the genre, as this anthology shows. They widened its subject matter to include new areas of modern life and domestic guilt; and they were by no means unware that ghosts could be subjectively induced through trauma and sexual rivalry. Elizabeth Bowen wrote some beautiful ghost stories combining sensuality and terror.

More recently, writers like Elizabeth Jane Howard, Susan Hill, Fay Weldon, Lisa de St Aubin de Teran and Angela Carter have continued the work of sending shivers down the spine. Ms Carter has here a particularly gruesome new piece, Ashputtle. It seems the ghost story is likely to be with us for some while yet.

Anthony Curtis

THE MAIN text of last Sunday's sermon, in a church in one of the poorer parts of London, was taken from the First Epistle of Paul to the Thessalonians, Chapter 5, verse 23: "And the very God of peace sanctify you wholly; and I pray God your whole spirit and soul and body be preserved blameless unto the coming of our Lord Jesus Christ."

The congregation could not have been more easily identified as "inner city" had they been cast. The fine early 19th century church of St Mark's, with pillared front and carriage drive curving before it, sits at the top of Brixton Road, just behind a sign which says: "You are now entering Lambeth, a Nuclear Free Zone." The 150 souls inside were two thirds white, one third black. Few had neglected their appearance, but most wore cheap clothes. Two elderly vagrants dozed fitfully in the comfortable, stackable chairs.

The West Indian habit of engagement in worship seemed to have caught on, albeit in a muted form: several worshippers, black and white, held their arms out, palms to heaven, during the prayers. Soft calls of "Yes Lord" and "Oh Yes" ran round the building.

Children gathered round the young curate for the first hymn, which he accompanied on his guitar, and the words were projected on to a screen.

The Rev Nicholas Carnac, the vicar of St Mark's, told the congregation that they were the bride of Christ and that Christ would come for his bride. "Let us never forget, Lord, that you called for us to be prepared when you come for your bride." He said he had seen members of St Mark's led away from this remembrance: "They have made their jobs their Gods; or money; or sex. I have seen men and women go their own way: and God has been robbed."

For Mr Carnac and his colleagues at St Mark's, the problems which have racked their church, the Church of England, over this past year barely exist. They seek to preserve blameless their flock for the coming of the Lord. Yet about and above them in the Church are leaders who do not see (and who are excoriated for not seeing) that matters are so simple. It is the leaders' struggle to shift doctrine and practice into a new relationship with "the world as it is" which has given the church such a bad year, and may further convulse it in the year to come.

The central question is: how far must the Church shift to accommodate social change – or "fashion" as the critics call it – and how far can it create a

The Church of England debate

The trials of following the elusive liberal star

By John Lloyd

world of its own, a world which can itself change the outside world "as it is"?

The now famous preface to Crockford's Directory, by the late Dr Gareth Bennett, has dramatised the issue facing the church. The preface, a finely carved gargoyle to set before the Archbishop of Canterbury's door, has two main charges: one specific, one more general. The specific charge is that the ordination of women, which its supporters think is likely to come to pass in the early 1990s, will rend the church. The general one is that the liberal or centrist leadership, especially that provided by the Archbishops of Canterbury and York, has progressively – and indeed, in the name of progress – gutted the Church of its self-confidence, its authority and even its faith.

So far has this process gone, it is said, that the Anglo-Catholic and Evangelical wings of the Church, normally pulled apart by their high and low proclivities, are making common cause against the centre. When I put the issue to the Rev Mike Marshall, the guitar-playing curate of St Mark's and a fervent Evangelical, he said: "I was speaking to an Anglo-Catholic colleague the other day, and he said: 'At least you and we have this in common: we believe in God'." It is the harshest of jokes about a Church's leadership.

The ordination of women will dominate the year to come for the Church of England. Draft legislation for the measure will be presented to its policy making body, the Synod, in July. It will need, and should achieve, a simple majority to send it on to the next stage, round the dioceses.

"That will be," says Deaconess Diane McClatchley, moderator of the Movement for the Ordination of Women, "a most thorough debate". It will come back to the Synod, probably, in 1991: and, says the Deaconess, a newly elected Synod with a more liberal bent than the present one should produce the required two thirds majority in the three houses of bishops, clergy and laity.

The legislation has the support of much of the hierarchy: the Bishops of Manchester and Southwark are respectively consultant and vice-moderator of the Movement for the Ordination of Women. Its former executive secretary and founder member is Margaret Webster, wife of the retiring Dean of St Paul's, the Very Rev Alan Webster, himself a keen supporter. "There are many on the verge of leaving the Church," says Mrs Webster, "either because they are bored or they feel marginalised as women." She and her colleagues believe that the work of the 1,000 deaconesses – who can fulfill all Church offices except Communion – has broken down all but the more bigotted objections.

The objectors do not agree. Margaret Hewitt, the Anglo-Catholic chairwoman of the Synod Commission on Infrastructure, says: "We will need to see from the consultations in the dioceses themselves just how divisive this will be." Like the author of the preface – she was herself suspected – she gives salience to objections that there is no one centre of authority in the Church: not the Archbishop, not Synod, not the House of Bishops; and therefore she questions who can decide so momentous a change.

Mrs Webster sees this as sour grapes. "They will always question the source of authority when a decision is about to be taken which they don't like."

Next year, the matter will also come before the Lambeth conference of Anglican Bishops, which is held once a decade. The conference can make no binding ruling; but with bishops participating from Hong Kong, Uganda, the US and Canada where women are ordained, it will be an important influence.

The general issue is even less amenable to compromise. The Archbishop of York, whom Dr Bennett's preface depicts as the most "relativist" of the leaders, says the furore over the preface "is a sign of the hardening of party attitudes within the church – and that is all part of the hardening mood in the country as a whole. There is a search for strong authority, a reassertion of fundamentalism and traditionalism.

"We have a curious situation in which everyone thinks they are swimming against the tide. The conservatives in the Church clearly think they are swimming against a liberal tide. But, from where I sit, liberalism seems under very strong attack."

His colleague of Canterbury has the same view. In a sermon preached at St Paul's, as a farewell to Mr Webster, on November 30 – when he must have been aware of what was to be published in Crockford's – Dr Runcie gave a precise definition of his kind of churchmanship: "The tradition of liberal churchmanship (is) ... now temporarily out of favour ... who in the sixties would have believed that it would be so unfashionable to be liberal in the eighties? But it is nothing less than the authority of God as Creator and Redeemer which is at issue here, and the liberal tradition needs rescuing from those who simply see it as a catalogue of soft compromises."

The task "of the much despised liberal theologian is to trace God's engagement in the life of the world, to interpret it and to take part in it ... How else is the Church and Christian tradition to respond to, for example, developments in medical science, the persistence of poverty amidst affluence or the changing status of women and children in our society?"

How else, but by ignoring such "developments": or, at least, by subordinating them to an overriding imperative of the revealed truth of God: a revealed truth which the preachers of St Mark's in Brixton find great joy in affirming in full confidence that they know what it is. God acts through them; God, stimulated through prayer, ensured that a donation of £50 lost on the underground by a poor, old parishioner was returned to her; God is the main provider of the £250,000 a year the church raises to support its 20 lay and clerical staff. No less than Mr Carnac does Geoffrey Smith, the St Mark's administrator, invoke God as the determinant of his actions.

But does not work in the inner city - more than half the parishioners fall in the poorest 10 per cent of London's population - make them long to take up political cudgels? Mr Smith points to a passage in a document which describes the Montgomery Hall project (Viscount Montgomery of Alamein's father was vicar of St Mark's) a community hall being developed by the church. The passage reads: "Evangelism alone is not enough unless it is accompanied by practical care and action working through the community. Social work alone is not enough unless it is accompanied by a Gospel of forgiveness, redemption and hope."

To one outside the church, there appears no possible resolution. The evangelical faith of Mr Carnac and his colleagues, manifestly successful in filling themselves with joy and their church with a congregation, provides a source of energy and a certainty which can both tackle privation and transcend it.

The liberal concern to incorporate social advances – crucially, the diminution of women's inequality – is clearly rational and fair. The Anglo-Catholic appeal to the observation of St Paul that women shall not be set over men, or preach to them, has scriptural authority. There can, of course, be coexistence between these camps: but the Archbishop of York is probably right, that there is now too much bitterness to allow that to be counted on. Someone, or some body, must exercise authority and hope that the majority will see God's hand immanent in his decision.

JOE ROGALY

The empty markets

EVERY Christmas those of us who remember what it is supposed to be about wonder why the rest of the world seems to have forgotten. This year the gulf feels wider than ever. The reason is that, suddenly, Mammon is seen to be reigning supreme in practically every corner of the globe. The golden god is in charge of economic policy in most major industrial countries, and social policies in not a few of them. This perception is at its most stark in Hong Kong where the reindeer, in two-storey-tall lights, race around the skyscrapers, while, on Kowloon side, massed choirs of cardboard angels, their painted cherubic faces staring out at you, sing hymns through the public address system. Next week the props will be rearranged for the run up to the Chinese New Year. Behind the facade more cash registers tinkle, over more glitzy sales, than anywhere else save Singapore, New York, London, Paris...

Have no fear. This is not the start of a Christmas eve sermon, or even a homily on the virtues of Christianity. The point is more basic than that. It is, simply, that the worldwide adoption of the market economy as the standard by which policies are judged seems to have come about at a time when spiritual beliefs appear to be retreating out of sight. Not everywhere, of course. Religious (or is it tribal) warfare persists in the Middle East and Northern Ireland. The Sikhs continue their battle with the Hindu ascendancy in India. Some young people are going back to Church, or Synagogue, or Mosque precisely because they recoil from the rule of Mammon outside. And the born-again Christians of the United States seem to contradict the general thesis, although in fact theirs is a movement that marries God to Mammon and creates a new have-it-both-ways deity.

Yet the overall social norm has changed from one of being a believer to one of not taking much notice of religion. The question is why - why has the market taken over the throne so completely? The best answer that I have been able to find is that obeisance to the discipline of the market is in fact an expression of despair.

This may need a little explaining. If the ethic that governs most people's behaviour in a given society is based on a particular religion or a widely-accepted set of spiritual beliefs, or even feudal notions of who belongs where, then it is powerfully placed. It should engender self-discipline. It may stimulate hard work: see the example of some Protestants. It will certainly contribute to an understanding of the need to act according to a set of rules. It may even provide inner satisfactions that are otherwise missing from life.

Take away the spiritually or religiously-based ethical factor and you have - nothing. The only reason to get up in the morning is the need to earn a living; the only reason to work well, or conscientiously, is the need to keep one's job. Spending profligately, or wasting other people's money, or declining to maintain a professional standard of service, all follow. In the mental world that is our real existence anarchy prevails. Accountability becomes a thing of the past.

This is where the market comes in. It says: provide goods or a service for a customer and do so at the best possible price, or become a waste product of contemporary society. So spend money wisely. You have no option but to be accountable, and responsible. The alternative is, at the end of the day, unemployment and disgrace if you are an individual, bankruptcy if you are a company, a budgetary squeeze if you are a public institution.

It would be wrong to deduce that an appreciation of market mechanisms is not compatible with religious belief. The two have been bracketed together often enough, not least by the Victorians, to indicate that it is quite possible to enjoy the benefits of a recognising that man is a spiritual being at the same time as recognising that better husbandry leads to a greater generation of wealth. What is so sad about contemporary society, however, is that the one has become a substitute for the other.

Letters to the Editor

The need to prove fault

From Mr N.B. Pettersen.

Sir, "Compensation for personal injuries should not depend on proving negligence and the ability to litigate" (December 17). I agree.

Two men set forth on a car journey. A moment's thoughtlessness by the driver and both are killed. The widow and children of the passenger recover substantial damages from the driver's estate (or, rather, from his insurers).

The driver's widow and children receive no such compensation because the accident was the driver's fault - a fault for which they could not remotely be held responsible. Is that really just? And remember that it would be the same in any comparable accident, whether on the road or otherwise.

The case for removing the need to prove fault is particularly strong in relation to accidents at work. As well as the indefensible expenses and delays currently involved, there are serious hidden costs. Many of these are because each side - management on the one hand and claimant, usually represented by a trade union, on the other - is unwilling to show its hand for fear of prejudicing the chances of proving or disproving fault.

What is more, the ever-increasing complexity of new technology is heading towards the point at which the assessment of fault in some cases will become well-nigh impossible.

Thus, instead of readily joining forces to investigate the true cause of an accident at work so that they may co-operate to avoid repetition - the whole essence of accident prevention - the two sides are forced by the legal system into an adversarial posture; they may remain locked in it for years.

Surely both economic and humanitarian instincts call for co-operation to prevent accidents, instead of putting the emphasis on legal battles over the consequences, with all the distress they cause to victims and their families?

N.B. Pettersen,
37 Highland Road,
Kenilworth, Warwickshire.

Engineers enter a range of careers

From the General Secretary of the Institution of Chemical Engineers.

Sir, Contributing to the present debate about graduate engineering output, Dr Boswell (Letters, December 8) draws attention to the proportion of university trained engineers who enter accountancy, the City and other financial careers.

As far as chemical engineering is concerned (the discipline Dr Boswell uses as his example), the data for the 1986 national output show about 11 per cent entering the whole range of financial careers open to graduates: a rather different situation from the 50 per cent Dr Boswell found to be contemplating such a step during a foreign language oral test at one college.

Career prospects in chemical engineering remain buoyant in an expanding range of industries, and recent surveys from the Engineering Council show that chemical engineers remain near the top of the engineering salary scale league, with average salaries of about £24,000 at the age of 40.

Many believe that the introduction of engineering graduates into the financial world can only be applauded, rather than regarded as a waste or loss to the profession. An important factor in career choice for an engineer is the opportunity to exploit the creativity which has been fostered as a major part of an engineering degree. Other professions which draw equally on the need for such creativity and numeracy will naturally target engineering graduates as a preferred discipline from which to recruit, even more so when language skills are being fostered – as in the course where Dr Boswell has done his examining.

T.J. Evans,
George E. Davis Building,
165-171 Railway Terrace
Rugby

US 'high tech' may become 'no tech'

From Professor Stuart Pugh.

Sir, David Fishlock's "Five Rules to Live or Die By" (December 2), discussing the first review of the United States university engineering research centres, established in 1985, is both timely and yet somewhat worrying. The five criteria by which the ERCs are tested are sound, yet they omit any reference to design.

It is presumed that the Centres have been established to trigger the production of marketable, high-tech products on a broad technological front, to compete in world markets. To take advantage of the output of these Centres it must be assumed that the appropriate competitive design processes are in place in both the universities and industry.

From my reasonably detailed knowledge of both sectors I consider that such an assumption would be erroneous. While some sections of US industry have awakened to this fact, and are doing something about it there is as yet little evidence of this from the universities.

Without the appropriate design processes in place, I suspect that the Centres will "invent" things which the Japanese will then refine by design, and take the markets. Thus "high tech" will become "no tech".

Stuart Pugh,
University of Strathclyde,
James Weir Building,
75 Montrose Street,
Glasgow.

The City takes pride in its art

From Mr C. Douglas Woodward.

Sir, Reporting the bequest of the Harold Samuel Collection (December 2), your correspondent refers to "the Corporation of London, not known for its interest in art."

Do you know, I wonder, of Barbican Art Gallery, whose exhibition "The Image of London" recently earned the commendation of your arts correspondent? Or of Barbican Centre itself, with three cinemas, two theatres, concert hall and two further art display spaces? The finest public collection of works by Matthew Smith forms part of the Corporation's permanent collection of works of art, which has more than 3,000 drawings, watercolours and sculptures. And a new Guildhall Art Gallery is currently under construction, to provide a fine home for our paintings.

C. Douglas Woodward,
Libraries, Art Galleries and Records Committee,
Corporation of London,
Guildhall Library,
Aldermanbury, EC2

There is a larger dimension to the United Nations problem

From Mr J.M. van Ginderdael.

Sir, Your editorial "US should pay its UN dues" (November 24) cannot be disputed: there is no reason why United Nations staff in New York should be the hostages of the US Congress.

Yet there is a larger dimension to the UN problem. First, the US is not the only country that fails to settle its contributions on time - a score of culprits from all over the world could easily be identified. Second, unless internal machinery in the UN and other agencies (even those outside the UN system) is radically reformed, there is a risk that disenchantment and hostility may increase in the years ahead.

That the Americans who had unreasonably high expectations in the UN in 1948 should feel frustrated – as jilted lovers – must surprise no-one. After all, there has been a subtle double standard in the organisation, expecting enlightened opinion in the US to understand the problems of the Third World, and be patient about them, and to take the USSR and Eastern European countries at face value without questioning their social, economic and human rights record at fair value.

That the Europeans, largely cynical from the outset, are now questioning UNESCO, FAO and, for good measure, the EC, is more disquieting. It indicates that an international civil service is no longer fulfilling its mandate - achieving what cannot be done on a bilateral basis between countries - but is now downgraded to a purely symbolic status, like the League of Nations in the 1930s.

This is what we must react against. But then it must be seen by all that international organisations are useful and successful (which has not been the case since the World Health Organisation eradicated smallpox in the last decade).

Many steps can be taken - and it is the fault of national governments not to take them. Quibbling over budget but remaining indifferent to the content of programmes is a sure recipe for disaster. Instead of breaking new ground, international organisations now tend to rehash previous conclusions, to organise the same meetings and, above all, to be impervious to changes occurring outside their walls.

Here we touch on the most sensible point - recruitment. There is not enough flow between international organisations and the outside world. For a single Brian Urquhart, who kept his balanced judgement throughout a lifetime at the UN, there are, unfortunately, a number of M'Bows who reign as supremos with little concern for the ordinary UN employee who awaits his/her December pay cheque.

Perhaps governments could now decide that executive heads should not enjoy more than two five-year terms. Perhaps middle and higher grades should not be employed longer than 15 years, with easy relocation in their national administrations (as Iceland has wisely suggested).

Perhaps the example of EFTA (European Free Trade Association) should be studied and followed: staffing such an organisation with the maximum number of national civil servants, who are rotated at regular intervals. It is useful to them - and invaluable to their home country later on, because of the international experience acquired. And it is certainly less costly to everyone.

J.M. van Ginderdael,
Berkenhof,
Bellemansheide 98,
1640 Rhode-St-Genese,
Belgium.

FINANCIAL TIMES
Thursday December 24 1987

Michael Holman reports on the deal clinched with a half-Nelson, not a handshake

Scepticism over a shaky unity

TWENTY-FIVE years after Zimbabwe's nationalist movement split, the often bitter rivalry between Prime Minister Robert Mugabe and Mr Joshua Nkomo, the opposition leader, is apparently over.

Provided, that is, one takes at face value Mr Mubabe's euphoric announcement this week that the ruling Zimbabwe African National Union (Zanu)-Patriotic Front party and Mr Nkomo's minority Zimbabwe African People's Union (Zapu) party had finally agreed to merge and "move into the future hand in hand."

Joshua Nkomo (left) and Prime Minister Robert Mugabe: doubts remain over whether all divisions have been removed by their unity pact

In theory the merger, the product of intermittent negotiations over the past few years, should help achieve two main objectives: end the violence in Matabeleland, conducted largely by disaffected former members of Zapu's guerrilla army which was *disbanded at independence; and* allow the Prime Minister to pursue his declared objective of a Marxist-Leninist state, undistracted by the demands which multi-party systems impose on their leaders.

The realities may prove different, however, at least on the political and security fronts. The vision of the slight, austere 63-year-old Mr Mugabe in such a cordial relationship with the large and avuncular Mr Nkomo, a 73-year-old political veteran, will please Zimbabweans long dismayed by the enmity between the two men.

However, it will also greatly surprise them, and leave many sceptical, for the unity negotiations over the past few years have been marked by few concessions from Mr Mugabe. Rather, Zapu has been battered into submission, leaving the impression that Mr Nkomo was finally brought to this week's signing ceremony firmly held in a *half-Nelson, even if the deal* was clinched with a handshake.

It may thus be premature to celebrate the end of a schism broadly delineated by a division beween the Zanu-supporting Shona majority, and the Ndebele people of Matabeleland who form Zapu's stronghold.

This division, which goes back to the early 1960s, was clearly illustrated at the elections during Zimbabwe's transition to independence, and again five years later. In both polls, the results reflected the country's tribal arithmetic in which Shona clans make up about four fifths of Zimbabwe's 9m people and the Ndebele the balance. Zanu won about 80 per cent of the black vote, but Zapu swept the board in Matabeleland.

The parliamentary dominance that this gave Zanu was not enough for Mr Mugabe, who from the beginning of his premiership has made no secret of his determination to create a one-party state. For his part, Mr Nkomo, portrayed by his party as the "father" of the nationalist movement in Zimbabwe, has always been relucant to play second fiddle to the man who led Zanu's breakaway from Zapu in 1963.

Efforts at independence to secure an effective coalition government failed when Zapu was accused of plotting to overthrow the Government and leading party members allegedly involved were detained.

It was around this time that former members of Zapu's guerrilla army began a campaign of terror and banditry in Matabeleland which has left scores of blacks and over 70 whites dead, and which still continues today.

The Government's attempt to curb the security threat was brutal and counterproductive. Two army campaigns in 1983 and 1984 against the dissidents, as they are known, resulted in the deaths of at least 1,500 black civilians, and many more were ill-treated. The campaigns left a mood of bitterness which survives to this day, and on which the dissidents thrive.

At the same time Zapu – accused by the Government of supporting the dissidents – has barely been able to function as a political party. Its senior officials have frequently been detained or harrassed, offices have been closed and meetings banned.

It is against this background that Mr Nkomo, an increasingly tired and dispirited figure, has been attempting to negotiate a merger which he can sell to his followers in Matabeleland and which will allow him to end his long political career with pride.

On the basis of what has so far emerged, he will have a difficult task convincing Zapu members that the result is far short of capitulation.

The "new" party retains the name Zanu-Patriotic Front; the proportion of ex-Zapu politicians in the cabinet appears to be at Mr Mugabe's discretion, as does the allocation of key portfolios; and it is far from clear that Mr Nkomo will have an effective – as opposed to titular – role as Mr Mugabe's deputy.

The agreement also commits the party to "Marxist-Leninist principles," a philosphy about which Mr Nkomo and other senior Zapu members have grave doubts.

It may well be that when the new cabinet is announced at the end of this month, Zapu will be better treated than initial reports suggest.

However, unless Mr Nkomo has something more substantial to offer his followers, the split in the nationalist movement will merely have been papered over and the violence in Matabeleland will continue.

Yuppies toy with grown-up gifts for Christmas

By Louise Kehoe in San Francisco

WHAT IS on the Yuppie (young, high-flying professionals) Christmas list this year? According to Sharper Image, a San Francisco-based retail and mail-order chain that caters for well-heeled types who have to have everything, the in-set is buying "adult toys."

The company says that sales are booming despite the stock market crash. Unlike most US retailers, the company has not reduced its prices to attract customers and even boasts that its stores are so crowded people have to queue in the streets to get in.

The most popular item at Sharper Image's stores this season is the Astro Shooter, a table-top pinball game complete with flashing lights, sound effects and automatic scoring, all for $99.

If you are looking for a challenge and have deep pockets, Sharper Image recommends the Liferower, which combines a rowing machine with a video game to produce a computer-animated white-water ride.

The rower pits his or her skills and endurance against a simulated fast-flowing river, complete with sound effects of splashing water.

"In addition to an exciting aerobic workout, this machine will really fire up your competitive spirit," Sharper Image suggests. The price is a mere $2,700.

Measure Mate is a high-tech gadget for those who like to potter around the house. It sells for $99 and gives accurate room dimensions instantly by using ultrasound technology.

Ultrasonic waves echo back to the unit and provide a read-out rounded to the nearest half-inch

Exactly why anyone should want this gadget is not explained. Perhaps, after all, *yuppies wallpaper their own* homes. Or could it be that they need to size up their next property investment?

Then there is the Sound Soother 2, Sharper Image's clock radio that helps send you to sleep. At $99, it is a "sleep conditioner" that generates "white noise" to filter out intrusive sounds.

For those whose lives are made miserable by foggy mirrors, the ShowerTek Mirror is the perfect gift. The mirror, designed to be installed in the shower, incorporates a hot-water circulation system that keeps it hot and therefore clear despite steam. A snip at $39.

Perhaps the ultimate gift for the highly-gifted is the Voice Memo, a calculator-sized, 30-second recorder designed to capture those flashes of brilliance that occur when pen and paper are not to hand.

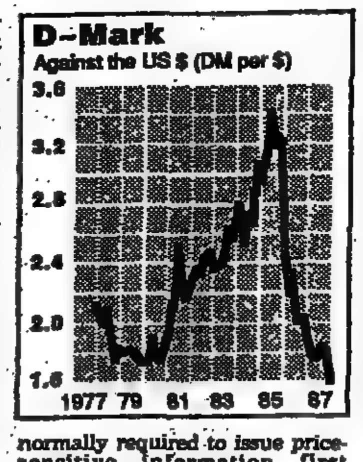
"For $29 you will never again risk forgetting that good idea that popped into your head," trills the sales pitch.

THE LEX COLUMN

BP's Christmas cracker

The memories of the October crash are still so painful that many investors may have overlooked the fact that equity markets in New York and London have both rallied by well over a tenth during the last three weeks. While this may still be a bounce before the next downward lurch, the longer it continues, the more confident the mood. The spate of cash bids is clearly helping the London market and Wall Street has been buoyed by the continued surprisingly strong showing of the US economy. Nevertheless, once the holiday celebrations are over, the old problems which have haunted the markets for the last two months could quickly reappear. The *G7 statement* is a rather toothless document, unlikely to be sufficient to stabilise the dollar over the long term. Meanwhile, yesterday's dismal UK trade figures for November are an embarrassing reminder that the UK economy is growing too fast for comfort.

D-Mark
Against the US $ (DM per $)



BP/Britoil

The Takeover Panel's clearance of the Britoil bid has landed the Government with a real old Christmas puzzle. The Panel's ruling is a model of clarity; it gives first place to the right of shareholders to get a fair price for their shares, and points out irrefutably that since the golden share is there as a safeguard against a bid it is hardly grounds for barring a bid in the first place. If the Treasury is still opposed to the deal it will have to come up with a further blocking expedient such as a Monopolies reference, or threaten to be obstructive in the conduct of Britoil's commercial policy should BP take charge.

The first of these is not impossible, since a BP/Britoil combination would have something like a 20 per cent share of the North Sea. But it is hard to see any oil consumer being unduly worried, particularly since this is the kind of share already exer*cised by the partnership of Shell* and Esso. The second course might consist of overruling BP on Britoil's rate of production or dividend payout, but it would surely be hard to defend a policy of bloody-mindedness as being in the national interest.

It may well be that the Government's re-statement of its position yesterday was not an expression of hostility towards BP, but simply a reserving of its position on other companies with golden shares. Either way, it was mishandled. Those in control of a quoted company – as the Treasury is of Britoil – are normally required to issue price-sensitive information first through the Stock Exchange's company news service, so that the whole market is put on an equal footing. The Treasury is under no such obligation, but contrived to infuriate the market for the second time in five days by issuing its statement piecemeal, thereby producing ten minutes of expensive chaos for the market-makers.

The Britoil price eventually settled at 427p, 23p below BP's offer. This gives considerable weight to the perceived hostility of the Treasury, and none at all to the possibility of a counter-bid from Arco, whose stake rose yesterday to 20.4 per cent. Meanwhile, another puzzle; if BP does get 100 per cent ownership without control, how does it account for it? Present rules say that as Britoil's owner it should consolidate it as a subsidiary, but the forthcoming Companies Bill would switch the criterion from ownership to control. BP could then end up in the ludicrous position of treating Britoilas a 100 per cent owned associate. *Among other things, this would* mean entering it in the balance sheet at cost, thereby avoiding goodwill – a position which many an acquisitive company might envy.

Chase Property

Trafalgar House's agreed £198m offer for Chase Property Holdings – the first cash bid in the property sector since the crash – is interesting not only for what it says about confidence in the post-crash property world. It also serves as a useful pointer to what can happen to healthy UK companies which are partly owned by heavily indebted antipodean entrepreneurs. Chase's highly-geared New Zealand parent is under pressure to raise cash quickly, and although its UK affiliate had plenty of ideas about how to remain independent, it was overtaken by the pressing need for ready cash.

It is clear that while strategic stakes may make a lot of sense in bull markets, when paper profits are surging, they present a serious problem in a bear market when the predators cannot gain access to the cash flow of the companies in which they have invested. It is a problem which Australia's Mr Robert Holmes a Court has had to confront, and the dilemma could have implications for a number of other UK companies, such as Gestetner and Tozer Kelmsley & Milbourn. However, despite the impression of a distress sale, Trafalgar House is paying close to net asset value for its acquisition, which implies that concerns about the impact of the stock market crash on the property sector may have been overdramatised.

South Africa

One of the casualties of the crash has been the idea that ethical investment is inherently more profitable than the other kind. Like so many specialist investment vehicles, ethical funds did indeed outperform on the way up. But seeking to exploit this alliance of morals and Mammon, several companies launched new ethical funds in the weeks preceding Black Monday. Avoiding underperformance on the way down could prove tricky.

However, Wood Mackenzie has provided seasonal cheer to UK pension fund trustees who have avoided South Africa. To enable fund managers to explain the costs and benefits of staying clear of South Africa, and to allow trustees fairly to compare their performance, the brokers *have constructed indices for the* UK, US, Europe and the Pacific which exclude all companies with direct investment in South Africa. So far this year, the South Africa-free index has shown the best performance in three out of the four areas; ironically it is the US – where the principle is most developed – that the ordinary index has just won out.

By sticking to the criterion of direct investment a staggering 46 per cent of European capitalisation is removed from the South Africa-free index – with only 24 per cent of the Dutch market, 26 per cent of the West German and 51 per cent of the UK remaining. Ethically, though, it is a bit odd to end up with Japan forming 50 per cent of the alternative world index when it is the second largest exporter to South Africa.

Jayawardene deputy killed by extremists

SINHALESE *extremists* shot and killed the chairman of President Junius Jayawardene's United National Party and three other people yesterday, authorities said, **AP reports from Colombo.**

The two assassins ambushed the victims' car with a machine gun at an intersection and escaped on a stolen bicycle, army Col Vijaya Wimalaratna said.

The killings came three days after President Jayawardene had vowed to wipe out Sinhalese extremists who have been assassinating his supporters.

Mr Harsha Abeywardene, chairman of the UNP, his driver, a bodyguard and another aide were killed when at least 21 bullets were fired at their Korean-made car, a police detective said.

The Government has blamed the JVP, the People's Liberation Front, composed of ultra-nationalist Sinhalese, for the deaths of about 150 policemen, government officials and UNP members in the past five months.

Col Wimalaratna, military co-ordinating officer in Colombo, said the two attackers pedaled up to a bicycle repair shop near the intersection and asked to have a new tube put in the bike's front tyre.

While they waited for the repair to be done, they stood at a nearby intersection with a Chinese-made T56 submachine gun concealed inside eight wooden planks tied together with string, the colonel said.

A police officer quoted witnesses as saying that while the two men were waiting, two other men rode by on a motorcycle and apparently told the ambushers that Mr Abeywardene's car was approaching. As the car neared the intersection and slowed down for heavy mid-morning traffic, the ambushers pulled out the machine gun and opened fire.

The car's rear and side windows were shattered and there were bullet holes in the front windshield.

Mr Abeywardene, 32, was elected to his third term as party chairman earlier this month. He was first elected chairman in 1984.

The JVP has vowed to kill anyone who supports the July 29 peace pact Mr Jayewardene signed with India. The accord was designed to end a four-year guerrilla war by rebels fighting for a separate Tamil nation.

Many Sinhalese have accused Mr Jayawardene, also a Sinhalese, of giving away too many concessions to the Tamils, who make up 18 per cent of Sri Lanka's 16m people. Sinhalese total about 75 per cent of the population.

On Sunday, President Jayawardene had said members of the front must be killed to end their wave of terror.

Toy distributor fined $380,000

BY QUENTIN PEEL IN BRUSSELS AND CHRISTOPHER PARKES IN LONDON

AN UNSEASONAL present, in the form of an Ecu300,000 ($380,000) fine, was imposed yesterday on a leading British toy distributor by the European Commission in Brussels.

The penalty has been imposed on Quaker Oats UK, the distributor of popular Fisher-Price products in both Britain and Ireland, for preventing Irish shops from importing their supplies direct from UK wholesalers.

The decision came in a flurry of pre-Christmas rulings by the Commission, affecting among other things the distribution of Konica photographic films between Britain and the Continent, and the sale of nail guns *throughout the Community.*

The Commission also fired a first shot in its efforts to open up the market for computer modems (a device for linking computers by telephone) in Belgium, calling on the Belgian Government to say when it plans to abolish the state monopoly on the import and distribution of such equipment.

The coincidence of all the competition rulings and Christmas is due to delays in translation and a desperate effort to clear the books before the holiday.

The commission said that an even more substantial fine would have been imposed on Quaker Oats UK, the wholly-owned *subsidiary of* Quaker Oats, the US multinational, "in view of the gravity and duration of the infringement" which lasted from November 1982 to August 1985, but the company had introduced a "compliance programme" to explain the EC competition rules to all staff.

Mr Chris Kitching, managing director of Fisher-Price UK, said the company was "extremely disappointed by the severity of the fine." The transgression had been "a small affair."

The company did not contest that it had operated an arrangement which breached community rules.

However, Mr Kitching claimed, *it ran for only one year* – in 1983 – when the company's total sales in Ireland were worth less than £100,000 ($182,400).

The commission's findings would have to be examined in detail before any action was taken, and this was now in the hands of lawyers at the parent company's Chicago headquarters.

The biggest fine of all was Ecu6m imposed on Hilti, a Liechtenstein company which is the largest European manufacturer of nail guns for the construction industry, for abusing its dominant position to prevent rival manufacturers from supplying alternative products.

Israelis reject UN criticism

Continued from Page 1

the first time to drop teargas cannisters

There are no official figures for arrests, but Arab sources claimed last night that 344 had been picked up in the previous 24 hours, bringing the total over the past two weeks to 1,700.

The occupied territories were relatively quiet yesterday, with protests concentrated in commercial strikes. Many Arab day labourers returned to their jobs in Israel. Israel radio reported that 30,000, about 50 per cent of the normal total, had left the Gaza Strip for work.

In its carefully drafted statement, the Foreign Ministry said: "Israel is convinced that attempts to bring violence, bloodshed and enmity to the territories harm the prospects for peace and should be brought to an end.

"Israel hopes that the United States, a true friend of Israel, and all other states wishing to advance peace in the Middle East, will be particularly careful not to adopt positions which might be interpeted as support for extremist elements who encourage violence."

Europe warns leading airlines on tough new curbs

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday warned 13 leading airlines to scrap restrictive route-*sharing practices by January 1,* or face the consequences of tough new air liberalisation rules.

The new rules will give Commission officials the power for the first time to stage unannounced dawn raids on airlines thought to be working under anti-competitive agreements.

They will be able to seize documents and records from any company believed to be failing to observe the aviation package finally agreed by European Com*munity member states this* month.

The package outlaws many restrictions on the availability of discount fares and the 50-50 capacity-sharing deals by member states. The airlines involved have already promised to reform their inter-company agreements in line with it.

"Although these negotiations are said to be at an advanced stage, most of the original agreements remain in force," the Commission said yesterday.

"*In order to ensure rapid* implementation of the aviation package, the Commission has informed the airlines that it will take all appropriate action under its new powers in respect of any airline agreements which remain legally *in force after January 1* 1988 and which contain provisions incompatible with the new package."

The airlines to have received the written warning are Aer Lingus, Air France, Alitalia, British Airways, British Caledonian, Iberia, *KLM*, Lufthansa, Luxair, Olympic Airways, Sabena, SAS and Air Portugal.

Most of these were the subjects, until recently, of a Commission legal action designed to force them to fall in line with European Commission competition rules. Brussels dropped that suit two weeks ago following the agreement on the air package.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	13	55	Malta	S	15	59	Rhodes	S	14	57
Algiers	C	15	59	Edinburgh	F	10	50	Manchester	C	5	41	Rio de J'o	S	25	77
Amsterdam	F	4	39	Faro	F	13	55	Manila	C	30	86	Rome	S	15	59
Athens	S	14	57	Florence	Fg	7	45	Melbourne	F	18	64	Salzburg	Fg	2	36
Bahrain	S	24	75	Frankfurt	S	1	34	Mexico City	S	26	79	San Francisco	F	13	55
Bangkok	S	30	86	Funchal	F	19	66	Miami	C	26	79	Seoul	S	7	45
Barcelona	C	11	52	Geneva	Fg	7	45	Milan	Fg	3	37	Singapore	F	31	88
Beirut	C	17	63	Gibraltar	S	17	63	Montreal	Sn	1	34	Stockholm	F	-2	28
Belfast	C	8	46	Glasgow	R	7	45	Moscow	C	-8	18	Strasbourg	C	4	39
Belgrade	F	7	45	Guernsey	C	6	43	Munich	Fg	3	37	Sydney	S	24	75
Berlin	C	5	41	Helsinki	F	-3	27	Nairobi	F	28	82	Taipei	S	24	75
Biarritz	C	11	52	H. Kong	F	19	66	Naples	S	18	64	Tangier	C	16	61
Bombay	S	30	86	Innsbruck	F	4	39	Nassau	C	28	82	Tel Aviv	C	13	55
Bordeaux	C	7	45	Inverness	C	9	48	New Delhi	S	24	75	Tenerife	C	21	70
Brussels	S	5	41	Islamabad	S	24	75	New York	C	9	48	Tokyo	S	16	61
Budapest	S	7	45	Istanbul	F	6	43	Nice	S	14	57	Toronto	S	6	43
B. Aires	S	25	77	Jakarta	R	33	91	Nicosia	C	15	59	Tunis	C	16	61
Cairo	S	16	61	Jersey	C	6	43	Oporto	S	12	54	Valencia	S	14	57
Cape Town	S	22	73	Jo'burg	C	24	75	Oslo	C	1	34	Venice	Fg	2	36
Caracas	C	25	77	Lima	S	25	77	Paris	C	3	37	Vienna	S	6	43
Casablanca	S	16	61	Lisbon	C	16	61	Peking	S	4	39	Warsaw	S	4	39
Chicago	Sn	5	41	London	F	8	46	Prague	S	5	41	Washington	F	1	34
Cologne	S	5	41	Los Angeles	F	17	63	Reykjavik	S	4	39	Zurich	C	6	43
Copenhagen	S	7	45	Luxembourg	S	4	39								
Corfu	S	16	61	Madrid	C	8	46								
Dallas	C	10	50	Majorca	C	15	59								
Dublin	F	10	50	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

G7 pledge on value of dollar

Continued from Page 1

ment, including the US Treasury, that a precipitate fall would be damaging.

They added that there was an implicit understanding that central banks would intervene if necessary to prevent a sharp decline in the dollar's value, but the banks would not necessarily be defending a specific target range.

US *officials* highlighted a phrase in the communique which said that any significant rise in the dollar would also prompt official action. They said that there was an explict understanding among at least some members of the group on the extent of any rise which might be tolerated.

Despite obvious disappointment that the statement had been delayed by the wrangling over the US budget and that it had been extensively leaked in advance, European finance ministers put an optimistic gloss on the latest accord.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said that it indicated that co-operation was "alive and well." Mr Gerhard Stoltenberg, West Germany's Finance Minister, said that it was particularly important for the cohesion of European economic policies.

That optimism is echoed in Japan where *Mr Kiichi Miyazawa*, the Finance Minister, said that the latest statement had been "built on the Louvre accord."

The statement also reflects the group's growing irritation over the growing trade surpluses of the newly-industrialised Asian countries, particularly Taiwan and South Korea. These countries should quickly adopt trade and exchange rate policies that will allow the reduction of "excessive surpluses."

FINANCIAL TIMES

Thursday December 24 1987

Braniff drops rescue deal to merge with Pan Am

BY ANATOLE KALETSKY IN NEW YORK

BRANIFF, the US airline company owned by the Pritzker family of Chicago, has formally dropped its offer to merge with Pan American World Airways, after a disagreement among Pan Am's unions over the labour concessions which Braniff demanded in exchange for a financial rescue package.

The Braniff deal, which was the only one of several rescue offers to have won the approval of Pan Am's board, involved spinning off Pan Am's main airline operations into a new company to be jointly owned by the shareholders of Pan Am Corporation and Braniff.

Pan Am's unions would have been required to make contract concessions worth about $200m annually while Braniff would have injected new capital to tide the airline over a serious cash crisis which it is widely expected to face next year.

Although a coalition of Pan Am's five main labour unions had strongly supported the principle of Pan Am being taken over by an outside investor, the pilots' union decided not to support the Braniff offer.

Some union leaders also appear to believe that they may now be able to strike a better bargain with members of Pan Am's management than with outside investors. Following boardroom rows between the airline's chairman, Mr Edward Acker, and the vice chairman, Mr Martin Shugrue, some union leaders believe that Mr Acker, whom they have long regarded as an adversary, could be on the point of departure.

They would then hope to negotiate with the remaining management on concessions designed to put the business on a sounder financial footing.

Goodrich sells off tyre stake for $225m

By Our New York Staff

B.F.GOODRICH, the Akron, Ohio-based company which was making bicycle tyres last century and was involved in making car tyres from the earliest stages of development of the car, is leaving the business for good.

The company is selling its 50 per cent stake in its joint venture with the Uniroyal Goodrich Tyre Company to Clayton & Dubilier, the New York-based investment company which specialises in management buyouts, for $225m.

On top of this, B.F. Goodrich will receive a package of warrants which allow it to buy back a 7 per cent stake in Uniroyal Goodrich, the second largest US manufacturer of car and light truck tyres, within the next seven years.

B.F. Goodrich emphasised that any purchase of Uniroyal Goodrich shares in the future would be for investment purposes and that the company did not intend to reinvolve itself in running a tyre business.

It was Clayton & Dubilier which, in 1985, arranged the highly leveraged buyout and subsequent liquidation of Uniroyal, the tyres and chemicals concern which had once been one of the largest industrial companies.

The joint venture between B. F. Goodrich and Uniroyal tyres was formed in July 1986.

B.F. Goodrich said it had decided to sell its tyre operations to concentrate its capital on its expanding chemicals and aerospace businesses.

A spokesman said it had always been the intention to spin off its stake in the joint venture at some stage, although the offer by Clayton & Dubilier had come sooner than planned.

Mr Martin Dubilier said the full potential of Uniroyal Goodrich would be best served by a more focused management structure.

He acknowledged that the joint venture had not achieved its goals, but he still believed that there was plenty of opportunity in the business.

US bank confirms job cuts

By Our New York Staff

MANUFACTURERS Hanover Trust, the sixth largest US bank, confirmed yesterday that it would be eliminating about 2,500 jobs from its worldwide staff of just over 29,000.

In an internal staff bulletin, the bank confirmed reports about a senior management meeting at which Mr John McGillicuddy, the chairman, called for "all line and staff units to take another look at their plans for 1988."

The bulletin said that this review would "not result in any across the board cutbacks."

It predicted, however, that "a combination of attrition, disposition of certain units and selective pruning of staff throughout the organisation" would result in job cuts "in the range of 2,500."

Meanwhile, the bank has suspended its planned move to a new London office pending a review of its operations in the City, senior vice president Mr D'Arcy LeClair said yesterday.

A policy followed throughout this year of running down staff numbers means that "there will not be that great an impact on London," said Mr LeClair.

Iggesund to acquire UK paper unit from Unilever

BY MAGGIE URRY

UNILEVER, the consumer products group, is selling its Thames Board business to Iggesund, the Swedish forest products company, for £80m ($146.4m).

The disposal marks the end of Unilever's involvement in the UK paper and packaging industry, following the group's decision to withdraw from peripheral businesses. It had been known for some time that Unilever was prepared to sell Thames Board if the right offer was made.

Last year Unilever sold its corrugated division to ASSI of Sweden and its solid case making business to Davidson Radcliffe, but did not disclose the proceeds.

Thames Board, based in Workington, Cumbria and employing 800 people, makes high-quality duplex carton board used for packaging products such as food, tobacco and pharmaceuticals.

Iggesund said that adding Thames Board to its own business would make it the largest paperboard manufacturer in Europe. "Shortages of raw materials set limits to further expansion in Sweden. Therefore growth by acquisition abroad is a natural step," said Mr Joergen Nordin, managing director of Iggesund.

Iggesund's turnover is approximately £225m a year and it employs 2,500 people. Its main business is in high-quality board for carton and graphic outlets and it exports about 90 per cent of production. It has a UK plant at Milton Keynes.

Thames Board's Workington plant is one of the most modern in Europe following a £94m expansion programme initiated with help from government grants in the late 1970s and completed in the early 1980s. The business was profitable and turnover this year was expected to reach £83m.

According to Mr David Lang, of stockbrokers Henderson White Jenkins, "the sale fits in with everything Unilever has been saying they are going to do and it's a good price."

Considerable interest in buying the business had been expressed by a number of companies around the world.

Unilever said yesterday that the sale of Thames Board brought the proceeds from disposals so far this year to £1.68bn. This has largely come from the sales of the unwanted parts of Chesebrough Pond's acquired at the end of 1986.

John Wicks examines a change of direction at a leading US group

Greyhound makes new tracks

Cleaning-up: John Teets (left) who is restructuring Greyhound, including Brillo-pad maker Dial

FEW MAJOR companies have undergone quite such a radical change of character over a short period as Phoenix-based Greyhound. The much-publicised sale of its bus lines earlier this year was only one of a continuing series of divestments and acquisitions.

To quote Mr John Teets, who has headed the company during its restructuring, Greyhound has been "recast in a new growth mould."

For Mr Teets, who is both chairman and chief executive, growth means expansion of 5-8 per cent a year - excluding future acquisitions - with a 15 per cent return on equity as a three-year goal.

He says he is "very optimistic" for next year, when turnover seems likely to be back above the 1986 level of $3.09bn. This had included revenues from Greyhound Lines.

For most of its 73-year history, the company has been known as a bus operator. It started off by running a seven-seater for ore miners in Minnesota, expanding over the years to a fleet of about 5,000 vehicles by the 1960s. It was then that Greyhound - not always wisely - began large-scale diversification that was to take it into financial and other services, bus manufacturing and consumer goods.

Over the past four years, it has disposed of operations totalling something like $3bn of annual turnover in the cause of greater profitability.

The biggest divestment was of the Armour Food meat-packing business, which had been making only marginal profits due to high union wage rates. Mr Teets sold the unit at above book value to a non-union company only days after workers had turned down a pay cut.

A similar dispute sparked off the sale of Greyhound Lines. The bus service had annual revenue of about $650m-$675m and was still in the black, but had lost half its passengers. Fares had ceased to be competitive due to road and air deregulation and high operating costs.

Mr Teets had won a 15 per cent wage cut in 1983, but a 9.5 per cent reduction was rejected by employees late last year. The company was sold, again to a non-union concern - which proceeded to slash pay by 30 per cent.

Other divestments have included those of Greyhound Capital, the computer-leasing subsidiary, while negotiations are current for the sale of Verex, the loss-making mortgage insurer. Another financial services operation, Pine Top Insurance, is in the process of liquidation.

This drastic slimming cure has, however, been accompanied by a number of important acquisitions. The biggest of these to date has been the $264m purchase in 1985 of the consumer products division of Purex, which added about $460m to consolidated turnover.

This has since been merged with Armour-Dial, which Greyhound had retained after selling off Armour Food. The new Dial Corporation, with annual sales of $850m, is a major US producer of soaps and household cleaners - including Brillo pads - as well as processed foods, from Armour Star canned meat and cornstarch to frozen pizza and maple syrup.

In vehicle manufacturing, the group this year bought General Motors' transit-bus operations in the US, making it the country's biggest builder of inter-city and municipal buses.

Other Teets-era purchases have centred particularly on the travel sector, among them Jetsave, the UK tour operator, the chain of Aeroplex airport and hotel gift shops and the two ships based at Cape Canaveral and acting as the official cruise line for Walt Disney World.

The biggest took place last month with the $390m dollar purchase from Chicago-based Carson Pirie Scott of its in-flight and airport-terminal concessions. These run under the names Dobbs Houses, Dobbs International Services and Carson International and yield combined turnover of about $450m a year.

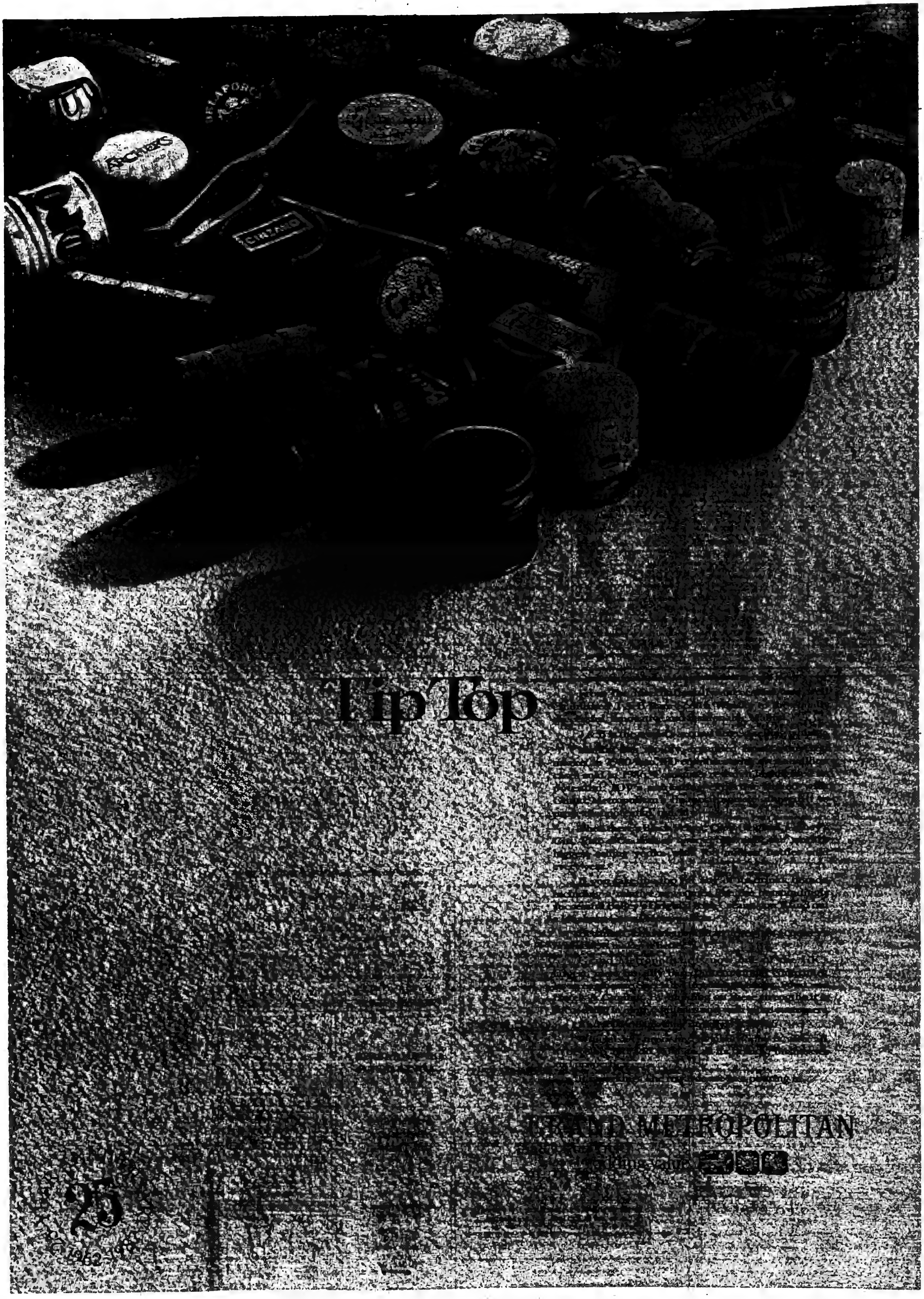
In the works are negotiations to take over home lines, which operates two cruise ships, and a small Welsh plant which would produce so-called shelf-stable foods for Dial, which is launching the Lunch Bucket programme of microwaveable meals.

Over and above this are Mr Teets' avowed plans to keep up internal growth. This appears to be foreseen in every main sector other perhaps than financial services.

Greyhound has come a long way in the past few years. It remains to be seen when this will be fully reflected in profits, however. Net income from continuing operations seems likely to be in the order of $1.50-$1.60 a share this year, or well below the levels reported in the early 1980s.

Much will depend on two things. One is when the company will be able to dispose of Verex. Mr Jack Kelly, an analyst with Goldman Sachs in New York, says that without this subsidiary's substantial losses Greyhound earnings might have been more like $2.10 a share this year.

For the time being, though, the experts are cautious. "Mr Teets has taken some very good steps - but he's not there yet," said Mr Kelly.


TipTop
GRAND METROPOLITAN

INTERNATIONAL CAPITAL MARKETS & COMPANIES

BASF to extend North American activities

BY ANDREW FISHER IN FRANKFURT

BASF, the West German chemical group, plans to extend its activities in North America by paying around C$500m (US$383m) for the latex business of Polysar Energy and Chemical Corporation of Canada.

The deal is expected to be completed by the end of next June, BASF said. The move is the latest of several large investments in North America by the German chemical industry in the last few years, as the dollar has fallen and thus given BASF, Bayer, and Hoechst an opportunity to expand in the US, the world's biggest chemical market.

Polysar, formerly known as Canada Development Corporation, has latex plants in the US (Chattanooga, Tennessee, and Monaca, Pennsylvania), Canada (Sarnia, Ontario), and the Netherlands (Arnhem). It employs about 760 people. Latex, an emulsion or dispersion of polymer in water, is used mainly as a pigment binder for high gloss paper and board coatings and as a foam backing or backing adhesive for carpets.

BASF said that the purchase of the Polysar latex assets would provide it with strategically located plants and trained employees as a solid base for future growth. The Ludwigshafen-based group has been expanding its European activities in finishing products for the paper and packaging industries.

Last year, BASF achieved around 20 per cent of its DM41bn (US$25.17bn) turnover in North America. More than 90 per cent of its sales there come from local production. Two years ago, it paid US$1bn for Inmont, the US motor paints and printing ink group. However, the biggest German chemical deal in North America has been Hoechst's $2.85bn takeover of Celanese of the US.

Chargeurs buys wool weaver

BY GEORGE GRAHAM IN PARIS

CHARGEURS, the French conglomerate with interests in transport, textiles and television, has reinforced its position in the wool sector.

Baulked in September in its bid to take over Prouvost, the leading French textiles company, Chargeurs has now agreed to take 75 per cent control of Ets. Paul et Jean Tiberghien, the principal quality wool weaver in France and a producer of knitting and hosiery wools.

The acquisition follows Chargeurs' move earlier this month to acquire Andre Roudiere, another major textiles company, and gives the group more than half the French market for woven wool fabrics.

Chargeurs already owned La Lainiere de Picardie and Delcer in the textile sector and will now have an annual turnover of nearly FFr4bn ($727m) in this field.

The move is viewed in Paris as part of an offensive strategy by Mr Jerome Seydoux, chairman of Chargeurs, to encircle Prouvost, in which he had built a stake of around 47 per cent but failed to gain control in the face of a dogged defence led by Mr Christian Derveloy, Mr Seydoux's opposite number at Prouvost.

Prouvost's sales are around double those of Chargeurs in the textile field, but the FFr140m Mr Seydoux has spent on the Roudiere and Tiberghien stakes give him a strategic position in companies which are both clients, suppliers and competitors of Mr Derveloy's group.

Riyad Bank acquisition

By Our Financial Staff

RIYAD BANK, Saudi Arabia's second-largest commercial bank, has bought a 29 per cent stake in Bank for Saudi-Swiss Trade and Investments.

Other shareholders in Saudi-Swiss are Union Bank of Switzerland with 51 per cent and private Saudi individuals with 20 per cent. Riyad held no shares before its acquisition.

Saudi-Swiss will change its name to Saudi Swiss Bank by the end of January 1988. Particular emphasis will be placed on developing business with Saudi Arabia and assisting Saudi-Swiss communications and financial ties.

Norsk Hydro Canadian plant runs over budget

BY OUR FINANCIAL STAFF

NORSK HYDRO, the Norwegian energy and industrial group, said that its new magnesium plant in Quebec, Canada, will cost between 20 per cent and 30 per cent more than the budgeted NKr2bn ($314m) total cost.

"Canada is a new country to us and construction costs were higher than we expected," Hydro said. The cost overrun will be between NKr400m and NKr600m, Hydo said.

Norsk Hydro, Norway's biggest diversified corporation and one of the world's biggest magnesium producers, started construction at the Quebec processing and production plant six months ago. It is expected to begin production in first half 1989. The plant will produce 60,000 tonnes of magnesium a year.

Hydro, which is 51 per cent state-owned, said it had located the plant in Canada to avoid currency fluctuations and to be close to a vital market for magnesium – the Detroit car industry. The plant is expected to employ about 350 people.

Trading by Taiwan broker suspended

By Bob King in Taipei

TAIWAN'S Securities Exchange Commission has ordered Da Shing Stock Broker, one of the country's largest brokerage houses, to suspend trading after a client defaulted on loans of $26.8m.

The government has staved off at least temporarily a collapse of the brokerage firm by persuading the United World Chinese Commercial Bank, in which the government has a majority stake, to accept stocks worth Taiwan $1.1bn from the client as collateral in a shoring up of Da Shing's finances.

Details of the transactions that led to the crisis are still sketchy. Local press reports suggest that the client had recently purchased about US$38m worth of shares in two leading textile firms through Da Shing, which had extended him loans for a substantial portion of the purchases.

The reports said that the client had settled about US$14m of his debt to Da Shing a few days ago. But his cheques for the remainder were dishonoured by banks, leading to the default and the subsequent crisis.

Such lending by all but one brokerage here remain technically illegal under SEC regulations, but insiders agree that the practice is rampant despite the prohibition.

It is not clear when Da Shing will be permitted to resume operations or whether it will face SEC sanctions over the crisis. On Wednesday, the firm was only handling settlements on trading concluded a day earlier.

It is also unclear what the effect on the local stock market will be. The index has fallen from an all-time high of 4763 points on October 1 to 2491.82 this week.

The SEC's quick relief package for Da Shing may be based on the realisation that a failure to intervene could prompt an even more drastic slump in this volatile market.

Dutch to allow zero coupon bonds

By Our Financial Staff

THE DUTCH Finance Ministry said it will allow the issue of guilder zero-coupon bonds and discount bonds starting 1988 as a further liberalisation of the Dutch capital markets. Zero-coupon bonds have no coupon. Discount bonds have a coupon below average market yields.

The ministry said redemption or sales of zero-coupon bonds would be taxed as income. The ministry would also tax the effective yield of such bonds at the moment of redemption or sale.

For discount bonds, the ministry would compensate for the interest payments received and already taxed. The usual tax exemption on interest income for foreigners would also apply to these bonds, the ministry added.

Asea merger to close factories

AT LEAST 100 factories will close after the merger of Asea of Sweden and BBC-Brown Boveri of Switzerland, according to the designated head of the giant electrical engineering company, writes Our Financial Staff.

Mr Percy Barnevik, Asea's president, said the merger will be completed by January 1, as planned, and strengthen Asea and Brown Boveri.

Nedlloyd expands in Spain

By Our Financial Staff

NEDLLOYD, the Dutch shipping and transport group, has acquired Fernando Roque Transportes Internacionales, the Spanish transport group. The deal is part of Nedlloyd's strategy to expand land-based transport activities, Nedlloyd said yesterday.

Roque has 16 offices in Spain, linking key ports and airports with the interior, and employs 650. No other financial details were given. Last year, Nedlloyd bought a leading Dutch transport group, Van Gend en Loos.

Earlier this month, Nedlloyd announced that it faced a heavy loss for 1987 as a result of write-downs on ships and off-shore drilling equipment.

Deborah Hargreaves on Chicago's answer to its critics

US futures defend their role

IN A DESPERATE bid to avoid being regulated out of existence, Chicago's futures and options exchanges are amassing evidence in defence of the role of futures trading during October's stock market crash.

"There is a widespread impression that the crash was triggered by a huge rush of selling in Chicago, transmitted with great weight onto an unsuspecting New York. That is not the way it was," declared Mr Merton Miller, professor of finance at the University of Chicago on Tuesday, when he presented a preliminary report by the Chicago Mercantile Exchange's independent panel.

Not surprisingly, the "blue-riband" panel is adding its voice to those of the Chicago Board of Trade and Commodity Futures Trading Commission in support of the role of futures trading on Black Monday, as Washington eagerly searches for a scapegoat for that day's unprecedented stock market fall.

The tidal wave of selling hit both markets simultaneously on October 19, Mr Miller explains. The fact that futures opened at a 7 per cent discount to the cash index does not mean futures were leading the way down, he asserts. The cash index still included outdated prices due to the late opening of many stocks on the New York Stock Exchange.

"Futures didn't lead stock prices down, but I don't want to claim it led them up again either," contends Mr Miller. But the panel suggests the NYSE and the CME look at the procedures for opening both markets, given that the gap between the two is always widest at the open.

What did happen on October 19 was that the S&P 500 futures pit was a net absorber of considerable portfolio insurance selling, Mr Miller contends, providing a valuable safety valve for selling pressure in New York.

Portfolio insurance – a practice that involves hedging a stock portfolio by selling index futures into a falling market - was responsible for selling some 32,000 to 47,000 contracts on October 19 – depending on

whether you take the low or high estimate. This was at least 20 per cent and at most 30 per cent of the CME's S&P 500 futures overall volume of 162,022 contracts that day.

In terms of stock selling this represents an equivalent of some 100m to 150m NYSE shares. Of these, around 60m to 100m shares - or 20,000 to 34,000 contracts – were bought by stock index arbitragers. These arbs were exploiting the difference in relationships between the futures and the stock market. They were buying the equivalent of shares in Chicago and selling the corresponding stocks in New York.

In between portfolio insurance sales and arbitrage buys, the CME absorbed the equivalent of some 50m to 90m shares. This pushed prices right down, but relieved the NYSE from this additional selling pressure, the panel asserts.

Portfolio insurance makes the big assumption that there will always be a buyer for the contracts its users want to sell. But, as many traders attest, there were few buyers for the contracts being dumped on the markets on October 19.

Another panel member, Mr Myron Scholes, professor of finance and law at Stanford university, says he was "surprised" at this lack of liquidity in the Chicago markets to withstand the selling wave. But, "we realise it is virtually impossible to have the liquidity and depth to withstand that sort of selling."

Mr Scholes points out that to increase futures liquidity substantially would be to create over-capacity most of the time - a situation where traders would be sitting around with nothing to do. He is looking for some way to develop a type of supplemental liquidity, where people could be brought in at the right moment.

This is part of the argument used by the proponents of price limits on futures contracts - once a limit is reached, a contract effectively stops trading, giving time for more buyers to be assembled. Mr Karsten Mahlmann, chairman of the CBOT, has already advocated permanent price limits for stock index futures - a move long resisted by the CME's staunch free marketeers.

But in spite of the CME's move to impose temporary 30-point price limits on S&P 500 futures after the crash, the panel questions the advisability of using them as a permanent regulatory mechanism. Price limits would shut down a market at the very time users have the greatest need to hedge portfolios.

This happened to the CBOT's Treasury Bond futures contract, which remained "limit up" for most of the Tuesday after the crash - resulting in a huge transfer of orders to London. A market closed by reaching its limit could also exacerbate pressure on other domestic markets that remain open.

Much contention has surrounded futures' margin requirements since the crash and Mr Miller warns against the "facile" conclusion that they should be raised to equal those required by established stock exchanges.

Generali acquires Swiss group

By David Lane in Milan

GENERALI, Italy's largest insurance group, has acquired 76 per cent of the Geneva-based Union Suisse Assurances. The deal forms part of the Italian group's strategy of internationalising its operations.

Union Suisse concentrates principally on non-life business and operates through a network of 80 agencies in Switzerland. Nevertheless, about 40 per cent of its premium income, more than L250bn in the current year, is derived beyond Swiss borders.

Union Suisse holds significant stakes in other insurance companies, two undertaking life business in Switzerland. Its other interests include shareholdings in non-life companies in Canada, Holland, Germany, Belgium and Portugal. In addition Union Suisse has stakes in two non-life French insurance companies.

Generali already has a direct interest in one of these, La Lutece, whose results will now be consolidated in the Italian company's financial statements.

No information has been given regarding the price paid by Generali for its acquisition. The company says, however, that the takeover was agreed with Union Suisse's management. The Swiss institutions and the Geneva families which previously controlled the company will continue to be involved.

● Banca Nazionale del Lavoro, Italy's largest bank, is to sell two subsidiaries. BNL now considers that both Banca Tiburtina and the Istituto di Credito per il Lavoro Italiano all'Estero(ICLE) are non-strategic investments.

BNL had hoped to create a merchant banking operation from Banca Tiburtina. The project has, however, failed to get underway. Mr Nerio Nesi, BNL's chairman, is reported as saying that offers have already been received for Banca Tiburtina, which has a network of five branches in the Rome area.

French deal for Bailey Shatkin

By Stephen Fidler Euromarkets correspondent

BAILEY SHATKIN, the London-based futures and options broking subsidiary of London Investment Trust, has formed a joint venture to trade futures, options and equity in the French market.

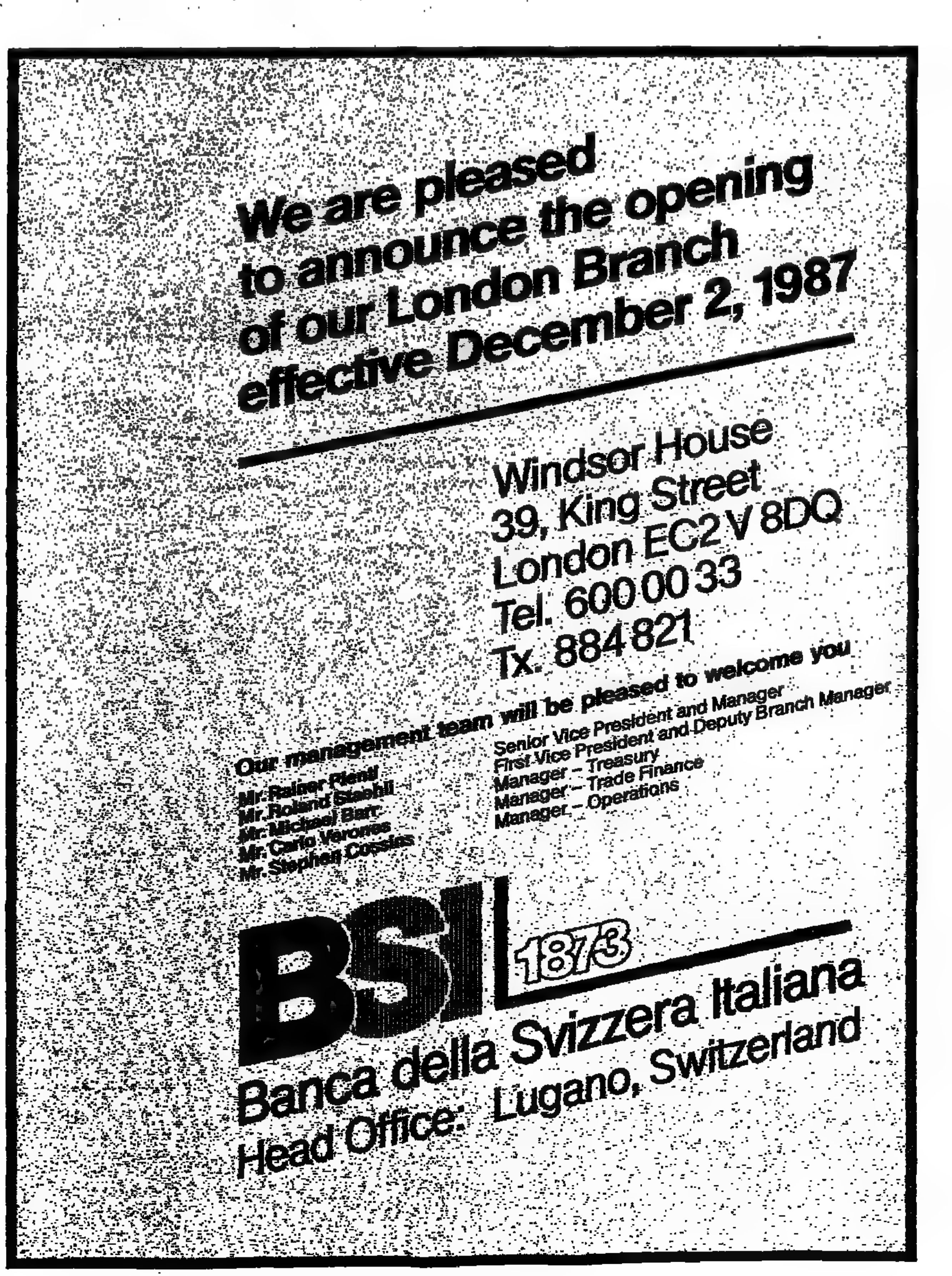
The other partners in the venture, which is to be called George V Finance, are Michel Puget, the French broker, in which Barclays de Zoete Wedd has agreed to take a 20 per cent stake, and the Banque d'Arbitrage et de Credit.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	9.49
All Nippon Air 9½ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	10.60
American Brands 8½ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	9.58
A/S Eksportfinans 7½ 93	100	[illegible]	92	[illegible]	[illegible]	9.53
A/S Eksportfinans 7½ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	9.34
Barc. Bk. Fin. 10½ 89	200	[illegible]	[illegible]	[illegible]	[illegible]	8.61
Belgium 9½ 92	400	[illegible]	[illegible]	[illegible]	[illegible]	9.27
British Telecom 7½ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	10.00
British Telecom 8½ 94	150	[illegible]	[illegible]	[illegible]	[illegible]	9.43
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	9.51
Canadian Pac 10½ 93	100	†103	104	0	[illegible]	9.86
C.C.C.E 7½ 91	113	[illegible]	[illegible]	[illegible]	[illegible]	8.91
C.N.C.A 7½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	9.23
Coca-Cola Ent. 8½ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	8.21
Credit Lyonnais 9 92	200	[illegible]	[illegible]	[illegible]	[illegible]	8.93
Credit National 7½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	9.05
Credit National 7½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.99
Denmark 7½ 92	500	[illegible]	[illegible]	[illegible]	[illegible]	9.47
Denmark 8½ 91	300	[illegible]	98	[illegible]	[illegible]	8.99
E.E.C 7 91	100	[illegible]	[illegible]	0	[illegible]	8.82
E.E.C. 7½ 93	250	92	[illegible]	[illegible]	+1	9.21
E.E.C 8½ 96	100	91	[illegible]	[illegible]	[illegible]	9.80
E.I.B. 7½ 93	100	[illegible]	[illegible]	[illegible]	+1	9.34
E.I.B. 9½ 97	150	97	[illegible]	[illegible]	[illegible]	9.81
Finland 7½ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	10.02
Finland 7½ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	9.45
Ford Motor Cred 11½ 90	100	[illegible]	106	[illegible]	[illegible]	8.31
Gen Elec Credit 10½ 00	200	[illegible]	[illegible]	[illegible]	[illegible]	9.58
G.M.A.C. 8 89	250	[illegible]	[illegible]	[illegible]	[illegible]	8.62
G.M.A.C. 8½ 89	200	[illegible]	[illegible]	[illegible]	[illegible]	7.84
Hoesch 8½ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	10.05
Hoesch 7½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.52
Hoesch 7½ 94	300	[illegible]	[illegible]	[illegible]	[illegible]	9.28
Liberty Mutual 8½ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	10.13
L.T.C.B of Japan 8 91	100	[illegible]	[illegible]	[illegible]	[illegible]	9.15
L.T.C.B of Japan 8 97	200	[illegible]	[illegible]	[illegible]	[illegible]	10.29
Mercds-Benz Cred 8½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.54
Mitsubishi fin. 7½ 93	100	[illegible]	[illegible]	[illegible]	+1	9.94
Mutual America 7½ 92	100	†94	[illegible]	[illegible]	+1	9.39
Norway 7½ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	8.93
Pepsico Inc 7½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	9.44
Prudential Crp. 8½ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Qantas Airways 10½ 95	140	[illegible]	[illegible]	[illegible]	[illegible]	9.99
Rep. of Italy 9 90	1000	[illegible]	[illegible]	[illegible]	[illegible]	8.55



Trafalgar makes £198m agreed bid for Chase

BY HEATHER FARMBROUGH

Trafalgar House, the shipping, property and building combine, is making an agreed offer for Chase Property Holdings worth £198.4m in cash.

This follows an invitation to buy the company by Chase Corporation, the New Zealand property and leisure company which owns 60.1 per cent of CPH. Chase approached Kleinwort Benson, which is acting for Trafalgar House, last week.

Chase is an antipodean casualty of the stock market crash and has cut back on its overseas property interests and is anxious to reduce heavy borrowings. It acquired its holding in PCH as a result of the takeover last year of Property Holding and Investment Trust by Wingate Property Investments.

The proposed acquisition will enhance Trafalgar's property interests with a portfolio principally consisting of office and shop premises in the City and West End. Earlier this year, Trafalgar failed to take over the Pension Fund Property Unit Trust (PFUT) with a £237m bid.

Chase has accepted Trafalgar's offer of 265p in cash for each of its 45m shares in CPH. That is believed to compare with the company's estimated net asset value of 272p at September 30.

Mr Robert Morton, an analyst at Barclays de Zoete Wedd, commented that the proposed deal should provide plenty of work for Trafalgar's construction and property businesses. "The main impact on profits will come through in the next financial year, rather than this one," he added.

Trafalgar House is expected to report pre tax profits for the year to September 30 of £216m (£163.2m).

It intends to run CPH as an autonomous unit within its property division. Asked whether the existing management would continue to run the company, Mr Parker replied, "It's up to them to some extent. There are some very good people there."

Shareholders other than Chase will have the choice of the cash offer or a share alternative of 4 new Trafalgar House shares for 5 CPH shares for the remaining 29.9m in issue.

The share offer valued CHP's shares at 285p yesterday, on a closing price for CHP of 260p, five pence above the price at which dealings were suspended on Tuesday. Trafalgar House shares rose 4p on the announcement to 318p.

The maximum number of new Trafalgar shares which can be issued under the offer is approximately 23.9m, representing about 4.7 per cent of the enlarged ordinary share capital.

See Lex

Moorgate gets bid approach

BY CLAY HARRIS

Woodchester Investments, Irish-based vehicle for British & Commonwealth Holdings' leasing interests, yesterday made a takeover approach to **Moorgate Mercantile Holdings**, the credit finance and leasing group which it intends to use as a UK base. Woodchester already owns 29.9 per cent of Moorgate.

Moorgate shares jumped 29p to 105p yesterday to give the company a market capitalisation of £27.3m. Woodchester's announcement was rushed out after a burst of activity in Moorgate shares on both Tuesday and yesterday morning.

Mr Julius Sliman, Moorgate chairman, said last night that any offer would have to take into account his company's "enormous growth potential." No price has yet been put to Moorgate.

Woodchester, 53.4 per cent owned by B&C, needs a UK leasing company to take advantage of its relationship with Lookers, the Manchester motor dealer in which it has a 29.9 per cent stake. Lookers has agreed to give Woodchester first refusal on all financing business.

Moorgate achieved pre-tax profits of £1.8m in the year to March 31. At last night's closing price, the shares stood on a historic p/e of 23 and a prospective p/e of 15.6, based on Smith New Court's latest forecast for the year to next March.

Woodchester reported pre-tax profits of I£3.8m (£3.38m) in the year to March 1987.

Moorgate last night appointed Kleinwort Benson as its financial adviser. Woodchester is advised by Schroders.

Hillsdown offshoot opts out of JMD agreement

Hillsdown Investment Trust has decided not to go ahead with an agreement to underwrite a £500,000 rights issue on behalf of **John Michael Design**, the USM-quoted design consultancy.

John Michael issued a statement yesterday saying it had received notification from Hillsdown Investment Trust, a subsidiary of foods and furniture group Hillsdown Holdings, that HIT had rescinded the arrangement agreed on December 1.

HIT alleges that John Michael neglected to tell it, at an early stage of their funding discussions, about litigation John Michael had entered into against a client for settlement of outstanding invoices totalling approximately £185,000.

HIT claims this failure was a material non-disclosure which entitled it to rescind the agreement with John Michael.

"We should have been informed earlier," Mr Michael Teacher, a HIT director, said yesterday. "John Michael issued the proceedings at the beginning of October. Our discussions with John Michael began in October, but we only found out about the litigation late last week."

The directors of John Michael said yesterday they did not accept that they were in breach of any agreement with HIT, and that it should prove possible to recover the outstanding £185,000.

However, they felt that, in view of the obvious breakdown of communication between themselves and HIT, it would not be possible to resolve the differences of opinion. They therefore confirmed that all discussions with HIT about the rights issue had been terminated.

Even before yesterday's announcement, the funding talks had been problematic. HIT first agreed, in early October, to lead a consortium injecting £1.4m into John Michael by subscribing 2m ordinary shares at 70p a share.

However, the Takeover Panel ruled against the proposals.

Wiggins Group soars by £1m in first half

Wiggins Group, the London-based property developer and motor dealer, accelerated its recovery of recent years with a near £1m advance in pre-tax profits.

For the half year ended September 30 it has returned £1.83m, compared with £886,000 last time, from a turnover increasing to £40.67m (£30m).

The interim dividend is raised to 2p (1.21p) on capital increased by February's rights issue and the June acquisition of Abingdon Estates. Earnings were 9.54p (5.69p).

Motor dealerships achieved record new car registrations. Parts and service departments became significant profit centres as did the body repair centre in its first full year.

Leasemaster continued to grow in size as the trend towards contract hire gained popularity with individuals as well as companies.

TO THE HOLDERS OF

Merrill Lynch & Co., Inc.

Liquid Yield Option Notes Due February 21, 2006:

On December 16, 1987, the Board of Directors of Merrill Lynch & Co., Inc. ("ML & Co.") announced its adoption of a Stockholder Rights Plan (the "Plan"). In accordance with the provisions of Section 1210 of the Indenture dated as of August 15, 1985 between ML & Co. and Chemical Bank, as Trustee, covering Merrill Lynch & Co., Inc. Liquid Yield Option Notes due February 21, 2006 (Zero Coupon-Subordinated), you are hereby notified of the adoption of the Plan. The Rights are being distributed as a dividend on ML & Co. Common Stock to holders of record on January 8, 1988, but all shares of ML & Co. Common Stock that are subsequently issued are entitled to receive such Rights for as long as the Plan is in effect.

The following is the text of a press release issued by ML & Co. on December 16, 1987 as it relates to the Rights:

Merrill Lynch & Co., Inc. today announced that its Board of Directors adopted a Stockholder Rights Plan designed to deter coercive takeover tactics and help prevent situations where one group of stockholders may derive a benefit not available to others.

Under the plan, stockholders will receive preferred stock purchase rights as a dividend at the rate of one Right for each share of Common Stock held as of the close of business on January 8, 1988.

Each Right will entitle the stockholder, under alternative circumstances, to buy either securities of Merrill Lynch or securities of the acquiring company (depending on the form of the transaction) at an exercise price that will be half of the market value of such securities at the time.

The Rights can be exercised only if a person or group acquires 20 percent or more of the firm's outstanding Common Stock or launches a tender or exchange offer that would result in ownership of 30 percent or more of the firm's outstanding Common Stock. Each Right takes the form of the right to buy one one-hundredth of a newly issued share of Series A Junior Preferred Stock.

Each Right that is not owned by a holder of 20 percent of Merrill Lynch stock entitles its holder to purchase, for $100, shares of the Junior Preferred Stock that have a market value of $200. A shareholder may exercise rights in this manner if any person acquires 25 percent or more of the firm's outstanding Common Stock, or if a person holding 20 percent or more of the firm's Common Stock engages in certain transactions involving conflicts of interest or in a business combination in which Merrill Lynch's Common Stock remains outstanding.

Alternatively, if Merrill Lynch is involved in a business combination in which Merrill Lynch itself is not the survivor, or if the firm sells 50 percent or more of its assets or earning power to another person, then each Right takes the form of a right to purchase, for $100, shares of the acquiring company's common stock that have a market value of $200.

In the event that Merrill Lynch's Board of Directors approves the acquisition of 20 percent or more of its Common Stock by a third party, then the firm will be entitled to redeem the Rights at one cent per Right at any time until the 10th day following public announcement of the acquisition. The Rights expire in 10 years.

Additional details are set forth in a document entitled "Summary of Rights to Purchase Preferred Stock," which will be provided to holders upon request at the following address;

Chemical Bank
55 Water Street
Room 1820
New York, N.Y. 10041

Merrill Lynch & Co., Inc.

Dated: December 24, 1987

Mansfield sells soft drinks side and slips at halfway

By Lisa Wood

Mansfield Brewery, the Nottinghamshire-based concern, is selling its Mandora St Clements soft drinks business to A G Barr, the Scottish soft drinks manufacturer whose brands include Tizer and Irn Bru, for a maximum consideration of £21.5m cash.

The two businesses will create Britain's third biggest soft drinks company in a fragmented industry

A poor performance from Mansfield's soft drinks division was a contributory factor in the decline in its pretax profits for the six months to October 2, which were announced yesterday. These showed a decline to £3.35m compared with £3.5m in the same period last year.

Mansfield acquired Mandora, mainly a supplier of own-label fizzy drinks, in the late 1970s and, in a bid to build a branded business, subsequently acquired Rimark, with its St Clements brand, in 1985.

Mr Robin Chadburn, chairman, said:" Over the years the company has devoted some considerable resources, both financial and managerial, to the development of the soft drinks business. Despite this significant investment the operating profit of the business over the last two and a half years has progressively declined."

Mr Chadburn said Barr had the business base, resources and scope to strengthen Mandora's business in a marketplace which was being re-structured.

Mr George MacLaren, Barr's finance director said:" We believe the Mandora business is a very good fit with ours and can be rationalised."

Mansfield, in announcing interim results, said that while the disappointing trend of the first half had continued into the second, it was confident that having disposed of the soft drinks business it could concentrate on its core brewing activities which would benefit from new beer products.

Beer sales were down by five per cent in the first half with an operating profit of £5.18m (£5.5m). Frampton Village Cider, a joint business with Hazelwood Foods, contributed £15,000 (£11,000). The interim dividend is unchanged at 2.25p.

Post delay for some Freemans shareholders

By Nikki Tait

Some 500 shareholders in Freemans, the mail order group which is on the receiving end of an unwanted £430m cash offer from Sears, look unlikely to receive their offer documents until after Christmas.

The first batch of offer documents went out to shareholders on the register at June 11, nine days ago - just 72 hours after the offer was announced. But this speedy action has been no help to more recent Freemans shareholders; in bid battle tradition, the Freemans directors only released the updated share register on Monday, the last date on which they were required to do so.

The final offer documents have now been posted – but may yet be snarled up in the tail-end of the Christmas post.

Norton Villiers goes for Third Market

Norton Villiers Triumph Group, which has revived limited production of Norton motorcycles, is to seek a Third Market listing on the Stock Exchange.

Previously its shares have been traded under Rule 532(5). Now, however, it wants to be able to make acquisitions for shares, as well as raise further funds – both actions would be made possible by a Third Market listing.

The group also disclosed yesterday that it had conditionally agreed to acquire London No 1 Club, a marketing business offering collective club memberships.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Chelsea Man § ......int	0.8	Feb 1	0.8	-	2.9
Mansfield Bwy ......int	2.25	-	2.25	-	9
Wiggins Group ......int	2†	-	1.25	-	4.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market.

Andrew Taylor on the attractions of Blue Circle to a bidder

The hunter becomes the hunted

DOES THE failed attempt by a mystery bidder to buy nearly 15 per cent of **Blue Circle Industries** mean Britain's largest cement company could shortly be on the receiving end of an unwelcome takeover offer?

Blue Circle itself is pursuing a £217m contested takeover bid for Birmid Qualcast, the lawnmowers, boilers and cookers group. It could be that the would-be predator is about to become the hunted.

The favourite for mounting Tuesday's abortive dawn raid, according to building analysts, is Adelaide Steamship, the Australian investment company which last year built and sold a 9.8 per cent stake in the British cement manufacturer.

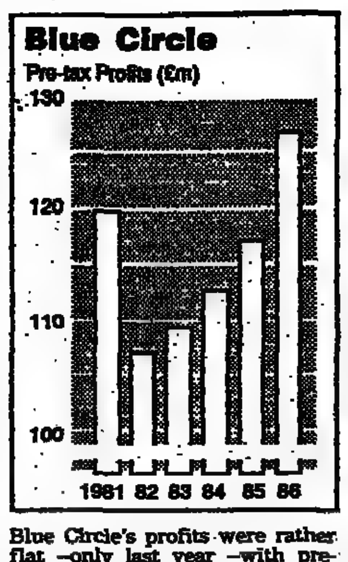
Other possible bidders include British conglomerates Hanson and BTR. Foreign cement manufacturers like Holderbank of Switzerland the world's largest cement manufacturer and Lafarge Coppee of France have so far excluded themselves from the frame.

At least one major British contractor has run the slide rule over Blue Circle's operations in the last few months and has rejected the group as a possible takeover candidate. So what are the attractions and disadvantages of the company as a takeover prospect?

On the plus side Blue Circle has a large UK landbank which include a number of disused sites in south east England, particularly around the M25 motorway which are ripe for redevelopment.

UK cement sales are rising on the back of a private sector construction boom and Blue Circle is poised to reap the benefits from investment in new plant and the introduction of flexibile working practices involving the loss of up to 2000 jobs.

Mr Jamie Stevenson, building analyst with brokers Wood Mackenzie said: "People tend to underestimate the phenomenal arithmetic behind Blue Circle's potential cost savings and property surplus. Defence profits forecasts, in the event of it going to a bid, could be very large, if the company chose to accelerate land sales."



In the first half of the 1980s Blue Circle's profits were rather flat –only last year –with pretax profits of £127m, did the company last year beat its previous profits peak of £119.7m, achieved in 1981. However, Blue Circle's prospects are looking brighter with pretax profits rising by 40 per cent to £59.7m in the first half of this year UK construction output has risen by around 7 per cent this year and is forecast to rise by a further 3 per cent to 5 per cent in 1988, despite the stock market crash.

Blue Circle also has widespread overseas interests and has been expanding in the US, one of the world's biggest construction markets. It is now one of the six biggest US cement producers along with other European companies like Holderbank, Lafarge Coppee and CBR of Belgium.

The view of many analysts and, de facto, the recent bidder for Blue Circle shares is that the stock has been heavily undervalued.

David Poole, Blue Circle managing director.

The company's share price since the market crashed on October 19 and ahead of Tuesday's abortive dawn raid had fallen by almost 30 per cent. The building materials share index, by comparison, had fallen by 24 per cent and the FT all-share by 25.6 per cent.

City critics are also hoping that Blue Circle, under its new managing director, Mr David Poole, will be able to get more mileage out of susbidiaries like Armitage Shanks, the bathroom products company which they say has underperformed since it was taken over by the cement manufacturer.

All this means that a successful bidder could take timely advantage of the improvements in efficiency and rising UK sales which are in the pipeline.

The real test of Blue Circle's success in the UK cement market however, will be whether it can get its costs below those of its two rivals - RTZ, which operates Castle Cement and Rugby Portland.

The construction group which earlier this year considered Blue Circle as a possible takeover candidate concluded that, despite investment in new plant and improved efficiency, Blue Circle was unlikely to reverse the slide in its UK market share, which has fallen from 60 per cent to under 55 per cent over the last few years.

The group also considered that Blue Circle's US sales were too reliant on its ability to import low cost cement, particularly from its Mexican plants. This trade route it believed could be in jeopardy under a more protectionist US government.

Another factor which must be taken into consideration when considering Blue Circle's prospects is the impact the ending of a 53-year-old price fixing agreement is likely to have on the UK cement market.

The price cartel, operated by the three remaining British cement manufacturers, was abandoned in February.

The immediate effect had been to reduce the price of cement in some areas. Manufacturers, however, are likely to be more than compensated by a large reduction in transport costs as the practice of shipping cement long distances at uneconomic rates is phased out.

The real test of manufacturers ability to cope with open competition will come when construction output starts to fall, possibly as the end of the decade approaches.

PREDATOR MAY HAVE BOUGHT NO MORE THAN 1%

Shares in Blue Circle fell 14p to 440p yesterday after its mysterious predator withdrew an instruction to James Capel, the stockbroker, to buy 38m shares at 450p, writes Clay Harris.

Capel's unnamed client fell well short of the 14.7 per cent it was seeking on Tuesday, although the precise number bought is still unknown.

The raider's identity is unlikely to be disclosed at all unless it raised its total stake to more than 5 per cent. It is widely believed to have succeeded in buying no more than 1 per cent of the cement group's shares.

Although the Takeover Code was revised earlier this year to require the disclosure by noon the next day of any change in a stake of 1 per cent or more in either party to a bid, this rule does not apply to offeror companies in all-cash bids such as Blue Circle's current contested £217m bid for Birmid Qualcast, the lawnmowers, boilers and cookers group.

Nimslo outlines recovery plan

BY RICHARD TOMKINS

SHAREHOLDERS in **Nimslo International**, the loss-making 3-D photography company quoted on the USM, are to be asked to approve a plan aimed at injecting long-term liquidity into the company while it carries on trying to develop a marketable product.

An outline of the two-stage plan emerged yesterday when Nimslo produced its interim figures showing a pre-tax loss of $593,000 for the period to July. The comparable period saw a profit of $274,000, but only after an exceptional credit of $1.9m. The dividend is again passed.

The first proposal is for majority shareholder Fred Olsen, the Norwegian shipping line, to eliminate long-term debt from Nimslo's balance sheet by converting its $7.2m worth of non-interest bearing promissory notes into ordinary Nimslo shares.

The terms of the conversion have yet to emerge but could raise Olsen's stake from 70 per cent now to perhaps 80 per cent of the enlarged equity.

The second proposal is for Nimslo to buy a company called Oil & Gas Construction from Fred Olsen in a paper acquisition which would further increase Olsen's stake.

OGC commissions and maintains offshore oil platforms, mainly in the North Sea. The aim would be to provide a cushion of profitability while Nimslo continues the development of a cheaper 3-D product.

Nimslo's estimated 9,000 to 10,000 shareholders will be consulted on the proposals in the new year, when more details will emerge. The company's shares were unchanged yesterday at 13p.

Trilion £5.5m loss estimate

By Clay Harris

Trilion, financially troubled television production company, last night estimated it would show a total loss of £5.46m, after a tax credit and extraordinary charges, for the year which ended on September 30.

It also announced a £7.5m cash injection through the subscription of 12-year unsecured loan notes by four major shareholders.

The announcement was released after the market closed with USM-quoted Trilion's shares unchanged at 88p.

The estimate announced last night was much worse than expected. Trilion had predicted a return to profit in the second half of 1986-87 after a total first-half loss of £1.3m.

However, Trilion now expected a pre-tax loss of £3.27m, including exceptional costs of £2.6m and interest costs of £1.28m. Tax credit was estimated at £300,000 and extraordinary charges at £2.5m.

The company said most of the higher than expected costs had arisen in operations which were part of Trilion before last year's acquisition programme.

Gold Fields/Kleinwort £42m oil and gas link

BY RICHARD TOMKINS

Consolidated Gold Fields, the London-based mining finance group, is spending £42m on a first step into the oil and gas industry in partnership with **Kleinwort Benson Lonsdale**, the merchant banking group.

It is to buy an initial 50 per cent interest in Kleinwort Benson Energy, a wholly-owned Kleinwort subsidiary engaged in oil and gas exploration and production.

KBE has operated on the UK Continental shelf since 1965. More recently it has been active onshore in the UK and also in the US, the Netherlands, Spain and Italy. In the year to December 1986, it made an operating profit of £1.1m and a pre-tax profit of £71,000.

Under the agreement, Gold Fields will match Kleinwort's existing holding in KBE which amounts to £14m in share capital and £28m in convertible loan notes. But if Kleinwort's loan notes are later redeemed while Gold Fields' are converted, Gold Fields will end up with 75 per cent of KBE's equity.

Kleinwort and Gold Fields said yesterday that Gold Fields' investment would enable KBE to grow more quickly. It also offered Gold Fields the opportunity to gain a foothold in the oil and gas industry and would give Kleinwort the ability to realise its investment later if it wished.

Thorn EMI offer

Thorn EMI has raised its offer for the outstanding 25 per cent of its Thorn EMI Australia subsidiary and won acceptance from directors

Thorn lifted its bid to A$2.73 (106p) a share from the A$2.5 offered in November. The revised bid values all the Australian unit at A$114m. However Thorn is, in effect, offering A$2.85 a share because it has approved a special 5 cent dividend in addition to a regular 7 cent half year dividend.

Peek pays initial $6.3m for Polysonics of US

BY NIKKI TAIT

Peek Holdings, the former shell company being turned into an industrial holding group by South African industrialist, Mr Kenneth Maud, announced yesterday that it was buying Polysonics, a Houston-based business whose products are involved in liquid flow metering.

Polysonics sells principally to the chemical, oil and water industries and in 1986 saw total sales of $5.93m. Pre-tax profits in that year totalled $589,834 and net assets stood at $1.54m.

The deal is being funded by a $6.3m consideration up front and further payments dependent on profits. According to Peek's advisers, Hambros, the acquisition was originally discussed ahead of the market's collapse, and would have been funded by the issue of Peek shares, then valued at 90p.

Peek shares subsequently fell to under 40p. Instead, therefore, the $6.3m will be satisfied by the issue of 3.82m zero coupon convertible redeemable preference shares. The shares can be converted into Peek ordinary shares on a one for one basis at any time to end-January 1993, or will be redeemed between 1989 and 1993 at 90p.

The additional consideration consists of 50 per cent of pre-tax profits in the three years to end-December 1990. However, the earnout only becomes payable if pre-tax profits exceed the greater of $850,000 or the pre-tax figure for 1987. Moreover, the percentage shares of those additional profits will be scaled down if the annual compound profits growth rate does not exceed 10 per cent.

Bryson purchases

Bryson Oil and Gas has agreed the purchase of **Summit Energy**, and **Torrid Energy**, subject to shareholders approval.

Bryson will transfer its US subsidiaries and $1.66m (£910,837) cash for a 71 per cent interest in Summit, an oil and gas exploration, production and development group.

The acquisition of Torrid, a company providing technical expertise in the acquisition, exploration and production of oil and gas for third parties, will involve the issue of 1.433m new Bryson shares, credited as fully paid.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
206	133	Ass. Brit. Ind. Ordinary	190	-2	8.9	4.7	7.1
207	145	Ass. Brit. Ind. CULS	197	-1	10.0	5.1	
41	26	Armitage and Rhodes	27	0	-	-	-
142	40	BBB Design group (USM)	55	0	2.1	3.7	8.8
188	108	Bardon Group	157xd	0	2.7	1.7	26.8
186	95	Bray Technologies	141	0	4.7	3.3	11.3
281	130	CCL Group Ordinary	257xd	-2	11.5	4.5	6.6
147	99	CCL Group 11% Conv.Pref	129	-1	15.7	12.2	
171	130	Carborundum Ordinary	131	0	5.4	4.1	11.4
104	91	Carborundum 7.5% Pref	100xd	0	10.7	10.7	
180	87	George Blair	146	0	3.7	2.5	3.8
143	75	Isis Group	75	0			
104	59	Jackson Group	92xd	0	3.4	3.7	10.2
780	245	Multihouse NV (AmstSE)	245	0	7.5	3.1	9.7
88	35	Record Holdings (SE)	58	+3	2.7	4.7	11.7
115	83	Record Hldgs 10% Pref (SE)	108	0	14.1	13.1	
91	53	Robert Jenkins	53	0			2.4
124	30	Scruttons	124xd	0	5.5	4.4	4.9
224	67	Torday & Carlisle	204	0	6.6	3.2	9.9
71	32	Travlan Holdings (USM)	67	0	2.7	4.1	7.2
131	41	Unilock Holdings (SE)	60	+6	2.8	4.7	11.0
264	115	Walter Alexander	166	0	5.9	3.6	12.3
205	190	W.S Yeates	203	0	17.4	8.6	20.3
170	67	West Yorks.Ind.Hosp.(USM)	120	0	5.5	4.6	12.7

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA

Max Wilkinson looks at BP's attempt to gain control of Britoil

Golden share is tarnished

The boldness and simplicity of British *Petroleum's attempt to* wrest Britoil away from the protection of the Government's "golden share" yesterday left the ministers looking highly embarassed.

The Panel, which guards shareholders' interests in mergers and acquisitions, announced its ruling that BP's bid for the UK's largest independent oil company could go ahead in the face of an unambiguous statement by the Treasury that it would use the golden share to prevent any bidder gaining control.

The golden share established in 1982, when Britoil was floated into the private sector, was intended to give ministers power to frustrate any takeover attempt. Yesterday the Treasury repeated its statement that it would use the 51 per cent voting rights vested in the special share to prevent any change of control. A Treasury spokesman conceded *reluctantly that the general* import of the statement must be that the Government does not want BP to take over Britoil.

But who-ever framed the rules governing the golden share reckoned without the combination of corporate daring and legal astuteness that BP has shown. Nor could they have predicted that BP would be smarting with annoyance after the Government's failed share offering handed a 17 per cent stake almost *on a plate to the Kuwait* Investment Organisation.

At all events it is now clear that BP's lawyers held the special share up to the light and *found the gold was rather a thin* plating.

The Government appeared to have assumed that no oil company in its senses would go for 100 per cent ownership of the protected company if the bidder was denied full voting control at a shareholders' meeting. But BP *rather neatly turned that* presumption on its head by realising that a share which wields 51 per cent of the votes confers rather feeble and uncertain powers if the holder is not a beneficial owner.

This is because directors, whoever appoints them, would have a duty *to look after the interests* of the shareholders; so if BP's bid was successful, the Government's 51 per cent of voting rights could be used in only a *limited way to frustrate the* interests of BP and its shareholders. Since the Government has spent a large part of this year lauding BP to the skies and *attempting to sell an* unprecendented amount of stock in the company, it can hardly now say that BP is not a fit or efficient company to manage British oil assets.

Moreover, the fact that the Government just sold its right to appoint two directors to the BP board puts it in a weak position from which to argue now that government-appointed directors would be needed to guard the interests of Britoil from the *attentions of BP's management.*

BP has shown itself adept at exploiting these paradoxes, perhaps because of its long experience as a nationalised company after Winston Churchill bought control in 1914. *It* found that although governments could occasionally be an irritant, they are not equipped to run oil companies, and have preferred to wield their power by other means. The most powerful of these in recent years is the allocation of North Sea exploration licences, with taxation policy the next most important.

The Government could in theory frustrate BP's ambitions by refusing to transfer Britoil's *North Sea licences to BP. How*ever, the decision to use the powers of the golden share to preserve Britoil's managerial independence would now make *this difficult.*

The other two options would be to refer the bid to the Monopolies Commission, but the chances of the Commission stopping the bid seem small considering the large balancing force of the Shell Esso partnership in the North Sea and the Government's *extensive* powers over licences and development.

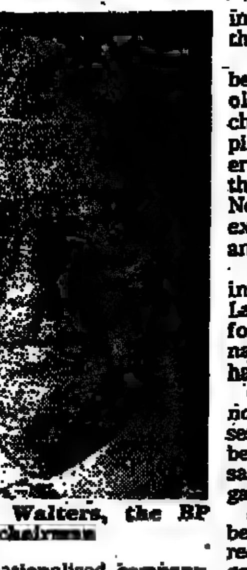
A third option would be to invoke Powers taken by a Labour Government in 1975 to force a divestment in the national interest, but this seems hardly a political runner.

On the other hand, if it does nothing, *it is clear that the pre*sesnt Britoil management would be in an uncomfortable, not to say untenable, position if BP gained full ownership.

BP's strategy, therefore must be to show the Government by reductio ad absurdum that the golden share cannot be effectively wielded in the longer term. For the short term BP seems prepared to sit the conflict out, waiting as it did with Standard Oil of the US for the political circumstances which will enable it to gain full beneficial ownership and control.

Meanwhile, it must hope that the political turbulence which it has created will be enough to deter Atlantic Richfield of the US, the other potential suitor which has continued to build up a stake in Britoil and now holds 20.4 per cent.

And that, naturally, puts the Government in an even more difficult position.



Sir Peter Walters, the BP chairman

Coalite absorbs balance of Reid for £7.7m cash

For £7.75m cash the **Coalite Group** has purchased the outstanding 75 per cent of the capital of **Reid Holdings.**

Reid's principal activity is the extraction, purchase and distribution of coal and other solid fuels.

It made a pre-tax profit of just over £1m in 1986, and at the end of that year its net assets stood at £2.35m.

Avis Europe takes full control of ACL for £18m

BY CLAY HARRIS

Avis Europe, the car rental and leasing group, is to pay £17.5m to buy Forward Trust's 50 per cent holding in the companies' contract hire joint venture, Avis Car Leasing.

Full ownership of ACL is intended to ease the integration into Avis Europe of C.D. Bra*mall, the Sheffield-based con*tract hire group and motor dealer, and Gelco International, which Bramall had bought only months before agreeing to Avis's £79m bid.

Forward Trust, a subsidiary of Midland Bank, and Avis Europe, formerly part of the US car rental group, had owned the joint venture since 1974. Avis said commercial links would continue with Forward Trust.

ACL, which has 20,000 cars on contract hire, lease or management contracts to 900 customers, reported pre-tax profits of £3.9m in the year to June 30. Avis is paying 11.6 times historic earnings.

After the transaction, Avis's European rental and leasing fleet will comprise 55,500 directly owned vehicles and 15,000 in the group's remaining joint ventures.

The cash deal will raise group gearing to 210 per cent, but Avis *said the terms of leasing con*tracts were matched with financing to reduce borrowing risk and minimise exposure to interest rate movements.

Chelsea Man expands to £0.6m midway

Chelsea Man, the USM quoted designer and retailer of men's clothing, lifted its pre-tax profit from £524,000 to £631,000 in the half year ended October 3 1987.

There were good sales of larger items including suits and leather garments, while less expensive stock such as shirts, trousers and knitwear did not perform as strongly as expected.

The trend appeared to have been reversed in the second half.

Turnover in the first half came to £2.17m (£2.02m). Earnings worked through at 3.64p (3.36p) per share and the interim dividend is held at 0.8p.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1986							
2nd qtr.	109.7	104.9	97	121.3	154.0	3,202	175.6
3rd qtr.	110.8	104.9	96	123.7	158.7	3,202	200.2
4th qtr.	111.0	107.2	95	126.5	164.3	3,141	212.0
1987							
1st qtr.	111.6	107.2	95	125.4	157.0	3,073	216.4
2nd qtr	112.4	109.4	92	128.2	166.9	2,965	226.1
3rd qtr	114.7	111.8	92	131.8	171.8	2,827	241.3
April	112.5	109.0	94	130.0	169.0	3,018	217.7
May	113.1	109.5	92	125.4	161.3	2,952	230.5
June	111.7	109.8	93	129.4	167.3	2,925	233.7
July	114.4	111.4	92	131.2	173.7	2,876	235.2
Aug.	115.2	112.1	92	132.5	171.0	2,829	236.9
Sept.	114.4	112.0	92	131.8	171.0	2,773	246.6
Oct.	115.4	113.2		133.0	180.8	2,712	261.4
Nov.				134.4		2,649	266.2

OUTPUT-By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); *housing starts (000s, monthly average).*

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts
1986							
1st qtr.	103.9	99.1	114.9	99.7	109.1	103.1	14.6
2nd qtr.	105.3	101.1	115.7	102.6	109.6	104.1	19.5
3rd qtr.	106.4	100.9	117.5	103.0	108.5	103.2	19.4
4th qtr.	108.5	102.1	116.0	105.3	115.0	104.8	15.5
1987							
1st qtr.	108.0	102.9	117.8	105.0	113.6	101.9	17.4
2nd qtr	110.8	103.6	117.6	105.9	118.9	105.7	19.6
3rd qtr	113.1	106.3	119.3	109.2	119.9	107.8	20.2
April	110.4	103.0	117.9	106.0	115.0	106.0	18.1
May	111.4	102.6	118.3	106.0	119.0	106.0	20.6
June	110.7	103.5	116.1	106.0	123.0	105.0	20.2
July	112.6	105.2	119.4	108.0	120.0	107.0	20.9
Aug.	113.5	106.1	120.2	109.0	123.0	109.0	17.8
Sept.	112.9	107.5	118.2	110.0	117.0	107.0	21.8
Oct.	114.4	108.3	119.8	111.0	126.0	109.0	17.4

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
2nd qtr.	121.9	129.1	-1,609	+146	+765	102.5	19.20
3rd qtr.	122.6	139.0	-2,891	-910	+621	102.2	22.43
4th qtr.	130.5	144.6	-2,725	-660	+725	100.9	21.92
1987							
1st qtr.	130.6	135.2	-1,136	+672	+1,164	100.5	27.04
2nd qtr	128.3	140.7	-2,382	-174	+1,033	103.7	34.36
3rd qtr	130.7	151.0	-3,048	-1298	+942	103.6	34.81
April	131.4	138.5	-527	+203	+423	102.8	29.81
May	124.2	144.2	-1,107	-378	+365	103.8	34.68
June	123.4	139.1	-748	-19	+245	104.4	34.36
July	130.9	147.8	-926	-325	+284	103.1	34.91
Aug.	126.6	155.1	-1,507	-907	+372	103.9	34.36
Sept.	134.6	150.1	-617	-17	+286	104.0	34.81
Oct.	132.4	149.1	-892	-282	+396	104.0	41.40
Nov.							41.28

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1986							
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	+346	10.00
3rd qtr.	5.9	20.2	15.4	+6,995	188	+792	10.00
4th qtr.	7.6	15.2	14.1	+10,516	2,814	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,733	1,465	+952	10.00
2nd qtr	3.3	29.7	29.3	+8,554	1,894	+1,039	9.00
3rd qtr	8.1	25.2	21.7	+11,445	1,211	+849	10.00
April	0.1	29.9	33.6	+2,202	727	+410	9.50
May	5.5	37.6	32.8	+2,502	521	+294	9.00
June	4.5	30.8	21.9	+3,979	556	+329	9.00
July	7.7	34.5	24.2	+4,530	347	+241	9.00
Aug.	7.1	22.5	21.0	+2,653	667	+206	10.00
Sept.	9.5	19.5	21.4	+4,330	197	+412	10.00
Oct.	6.9	36.0	27.9	+2,894	812	+412	9.50
Nov.					1,126		9.00

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg*	RPI*	Foods	Reuters* cmdty.	Sterling
1986							
1st qtr.	178.1	132.4	142.2	96.3	96.9	1,825	75.1
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.9	127.4	147.4	99.1	99.2	1,608	68.2
1987							
1st qtr.	192.9	129.8	149.2	100.3	100.5	1,580	69.9
2nd qtr	198.6	128.7	150.9	101.9	101.8	1,598	72.3
3rd qtr	202.1	131.0	151.6	102.1	100.5	1,647	72.7
April	196.0	128.4	150.5	101.8	101.6	1,554	72.4
May	198.1	128.0	151.0	101.9	102.2	1,612	72.3
June	200.9	129.7	151.1	101.9	101.6	1,629	72.6
July	203.1	130.5	151.3	101.8	100.4	1,632	72.8
Aug.	201.6	131.2	151.5	102.1	100.7	1,655	72.3
Sept.	201.4	131.1	152.0	102.4	100.4	1,653	73.1
Oct.	203.4	131.0	152.8	102.9	101.1	1,662	73.6
Nov.		131.6	153.2	103.4		1,682	75.4

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

John Williams foundry change produces a loss

A major change in the foundry division in the summer hit **John Williams of Cardiff,** which recorded a loss of £480,686 for the year to September 30 1987. This compares with a corresponding pre-tax profit of £280,021 for the steel stock*holder and iron foundry* operator.

Turnover was down at £10.12m (£11.41m) and there was a loss per 25p share of 6.89p (3.52p earnings). An extraordinary credit of £415,712 (£58,511 debit) resulted in a retained loss of £64,974 (£185,541 profit).

Mr David Williams, chairman, who gave a forecast of poorer results in September, said that despite recent improvements in the foundry, there was still *much work to be done to return* to sustained profitability. The *new foundry managing director* was tackling the problems and had made changes in his management team.

The failure to achieve necessary productivity improvements in the foundry had resulted in the introduction in July of equipment for the automatic pouring of metal. As with any major innovation, substantial difficulties both technical and operational had to be overcome.

Apart from capital cost of equipment and its installation, the interruption caused by this fundamental change in proce*dure led to a substantial trading* loss during that time of some £400,000, all of which occured in the period under review.

The chairman was satisfied that the company was right to make this move despite short-term effects on trading.

In Scotland, Glen Metals remained profitable but was affected by a general downturn in the Scottish engineering industry, a consequence of the rundown in oil exploration. But there had been an encouraging start to the year with a satisfactory level of orders.

Mr Williams said that the parent company balance sheet had been reconstructed so that future dividends could legally be considered for payment out of profits and cash flow.

BOARD MEETINGS

TODAY

no interims or finals due.

FUTURE DATES

Interims-	
Banks (Sidney C.)	Jan 13
Black (Peter)	Jan 8
Ferranti	Jan 27
First Security	Jan 12
Ross Consumer Electrics	Jan 14
Finals-	
Brooke Tool Engineering	Jan 18
M & G Dual Trust	Jan 13
Southern Business Group	Jan 13

ASEA wins turbine orders

The *gas turbine service division* of **ASEA STAL,** Sweden, has received an order worth more than £1m (US$ 2m) for the overhaul, up-rating and refurbishing of two gas turbines supplied to the Motor Oil (Hellas) refinery in Corinth.

The gas turbines were supplied by Asea Stal in 1983 and form part of a co-generation installation. The gas turbines are fuelled by gases from the refining process and produce both electric power and process steam for the refinery.

The rebuilding operation will *commence next May* and, when complete, the rating of each turbine will have been increased by 15 per cent to 16 MW. This power increase will be achieved primarily by the injection of steam into the combustion chamber and also by the addition of evaporative coolers to reduce the *air intake temperature* and, increase the humidity. Injection of steam will, in addition to increasing the power output, also reduce emissions of nitrogen oxides (NOX) from the exhaust gases by about 75 per cent.

To meet the required time schedule for the installation and *commissioning,* the *rebuilding* and modifications have been planned in modular form, simplifying the installation and enabling the project to be completed in 70 days.

ASEA STAL also has an order worth about SKr 28m (£2.6m) *for a 38 MW VAX-type steam* turbine for delivery to Bechtel. It will be used, in combination with a gas turbine, to produce power and process steam for the drying of onions in a Basic American Food factory in California. Installation is due next summer.

Instrumentation for Sizewell PWR

NEI has won a major contract for work on the Sizewell B PWR nuclear power station. The CEGB has placed a letter of *intent with NEI Electronics,* of Gateshead, for the design, manufacture, erection and commissioning of the process plant control and instrumentation system *for the new Suffolk power sta*tion, Britain's first PWR.

Design work is to start immediately and will involve close working with the CEGB's Sizewell project management team

The current programme of work includes design of the process system C & I sampling; and analysis and monitoring of effluent, hydrogen, CO2, Seismic and meteorological conditions.

The letter of intent provides *for a formal contract to be* placed with NEI Electronics before the end of April 1988. Successful completion of the design phase could lead *to an* order worth up to £20m.

Work on the contract will continue until November 1993 and the Sizewell B power station is *due to be in commercial* operation by May 1994.

Linings for the Channel Tunnel

PARKFIELD GROUP has secured contracts worth £10m for the supply of cast iron segments for lining the Channel Tunnel and the Docklands railway. The linings will be manufactured at Parkfield Foundries *at Stockton on Tees where early* this year specialist equipment was installed within the foundry complex so as to be able to carry out all of the machining

Mr Roger Felber, Parkfield's chairman, explained that " with the likelihood of the Channel Tunnel actually happening, it was evident that as main contractors Translink should have a preference for purchasing tunnel linings from a company with an integrated foundry and machining capability. The part of our facility, which was developed specifically for the production of tunnel linings, is the only one operational in the UK, and we have already proved the system by producing several thousand lining segments within tolerance".

Cathodic protection in Qatar port

WILSON WALTON INTERNATIONAL (UK) has been awarded two contracts in the State of Qatar. Both are for the port of Umm Said. One is for a Qatar Government Agency (Industrial Development Technical Centre) and is for the refurbishment of cathodic protection equipment. The other contract has been awarded by Hyundai Engineering and Construction Co. and is for the supply and installation of cathodic protection equipment to a new port terminal at Umm Said for Qatar General Petroleum Co. Both contracts will use equipment manufactured by Wilson Walton at Stockton-on-Tees. Together, the contracts are valued at over £900,000.

Refurbishing airport bowling centre

INTERFIT, the specialist interiors division of Emson Construction, has won a £1.5m contract to completely refurbish and extend the Airport Bowl next to London Heathrow Airport. Interfit, based at Saffron Walden, starts the Airport Bowl job in *mid-January. The 40-week con*tract calls for the complete refurbishment of the existing 24 bowling lanes, which have been in use since the building in Bath Road opened in the mid-1960's, and the building of 12 new lanes and a new two-storey car park and ancillaries.

The Bowl's snooker halls, lounge bars and restaurant will all be completely modernised in the work, which has to be car*ried out with the minimum of* disturbance on activities at the Bowl - a sports centre which is open from 10am to midnight four nights of the week and until 2am on Fridays and at the weekend.

The work will be carried out in sequence so that groups of lanes will be refurbished, one group at a time, and a major part of the job is the relocation of the control centre of the lanes. To ensure continuity of use it will *first be moved from its existing* location to a temporary site, and then finally transferred to a new permanent location. The work will be carried out for J Lyons & Co.

Protecting American marines

NEGRETTI AVIATION, a subsidiary of Meggitt Holdings, has won a contract worth US$18.9m (£10.4m) to supply the US Marine Corps with its AR5 Airscrew protection mask.

The Airscrew respirator AR5 is claimed to provide full physiological *protection to head,* eyes and respiratory tract against nuclear fall-out and biological and chemical agents in any known form both in the air and on the ground.

Delivery of the AR5 Airscrew protection mask will take place over a 15-18 month period and will be applied to aircrew of Marine Corps Helicopters. The contract follows as a result of the Marine Corps' satisfaction with the supply of the AR5 mask in a *previous contract worth around* US$5m (£2.7m) in 1985.

Transformers for Eurotunnel

R.F. WINDER ELECTRICAL has an order from Translink *Joint Venture (UK half of the Transmanche-Link,* main Eurotunnel contractor) to provide 49 power transformers, worth over £500,000. These units are to supply power for tunnel machinery, ventilation, lighting, pumps and locomotive power. The transformers are 800 kVA and 500 kVA, 11,000 to 415 volts. They have been designed to conform with dimensional restrictions enabling them to be transported through the tunnel without dis*mantling. All the units are to be* fitted with a low voltage control panel made by a subsidiary – R.W. Throp & Co. Delivery starts in February, and will staged over the next 20 months.

Bulk supplies

BRABY BULK SYSTEMS, Burton-on-Trent, has been awarded a £1m plus contract by Rotterdam Tank Transport, the European distribution contractor for *Kodapak PET. Polymer will be* shipped in bulk from Eastman Kodak's new plant in Workington and from the US to the Rotterdam plant.

The complex will be similar to that built by Braby at Liverpool about two years ago, but this plant will be *much* larger. It will *have 2,400 tonnes silo capacity,* three tilt platforms for discharging containers, granule cleaning and FIBC filling systems backed by an additional 2000 tonne warehousing complex.

COMMODITIES AND AGRICULTURE

Nickel price touches $4 a lb

By David Blackwell

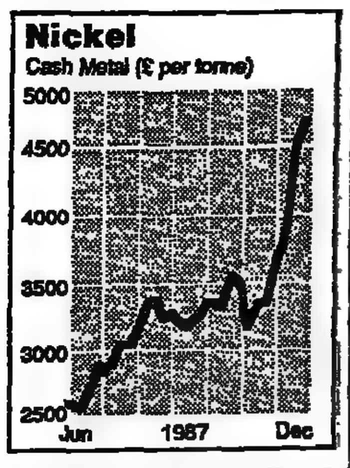
NICKEL PRICES continued to surge in London yesterday, at one stage breaking through the $4 a lb level for the first time since the metal started trading on the London Metal Exchange in 1979.

The dollar price touched $4.10 before retreating to close around $3.90 a lb.

The fundamental factor pushing prices up continued to be this week's news of the halt in shipments from the Falconbridge Dominican Republic ferro-nickel plant.

The Canadian mining group is in dispute with the Government of the Dominican Republic over export duties which the company has described as "prohibitive".

Mr William James, Falconbridge chairman, said yesterday that talks to end the dispute were now going on with the Dominican Republic. But more than 4m lbs of ferro-nickel had failed to reach customers in Europe, Japan and the US, he added.



Also in the market background, analysts said, were the problems being experienced at Inco's Creighton mine. These have reduced mine output – but so far have not affected refinery production.

In spite of late profit-taking, which cut into yesterday's strong gains at the end of the afternoon, the price of nickel for immediate delivery still closed at £4,960 last night – £365 a tonne ahead of Tuesday's close. The premium for cash metal over three-month metal widened to £249.50 from £166 on Tuesday.

Negative reactions in Australia's uranium debate

BY CHRIS SHERWELL IN SYDNEY

THREE MONTHS ago, a key minister in Australia's Labor Government lifted his head above the political parapet, raised his voice over one of his party's most sensitive issues and provoked an instant negative reaction.

The issue was uranium, and the minister was Mr John Kerin, head of the Ministry of Primary Industries and Energy. "Its caused me endless trouble," he says ruefully.

At the centre of the problem is the Government's "three mine policy", imposed after it came to power in 1983. The twist is that one of the three mines is virtually exhausted, while the other two will soon be producing uranium at double or even treble the recent rate.

The question for Labor is: should a new third mine be allowed? And if so, whose should it be?

At one level the question seems absurd. Australia has probably the largest economically recoverable uranium resources in the West – an estimated 29 per cent of the total – but only a fraction is being tapped.

The country also has a general need to export, mainly to counter its chronic balance of payments problems. In the case of uranium, it knows that it has already lost valuable earnings and that to compete with the world's other principal low-cost suppliers, like Canada and South Africa, it should develop its resources and build its image as a reliable supplier.

The difficulty lies with the Labor party's powerful environmental and disarmament lobbies. Uranium mining arouses strong feelings among anti-nuclear as well as anti-mining groups. The country itself has only one nuclear facility, a small experimental reactor in Sydney.

There is also the awkward matter of aboriginal land rights, since many of the deposits lie in aboriginal areas. Some are in national parklands as well, complicating matters further.

As a signatory to the Nuclear Non-Proliferation Treaty, the Australian Government insists that its uranium is used for peaceful purposes, but that does not make the issue any less emotive.

Some idea of the political sensitivity of the whole issue was given last year, when the Government decided to resume uranium exports to France. The Labor party erupted, its anger heightened by opposition to French nuclear weapons testing in the South Pacific.

The obvious fragility of the Labor party's compromise over uranium means that any hint of relaxation in Government policy attracts opposition. Mr Kerin's problem is that the issue, however difficult it is to discuss, is impossible to escape.

The mine at Nabarlek, in the Northern Territory, is the one whose future is uncertain. Always a short-term project, the deposit has now been worked out and its future depends on whether it can find more uranium resources close to the mine before it disposes of its unsold stockpile or is forced to dismantle its expensive processing equipment.

The larger Ranger mine, also in the Northern Territory, is doubling capacity by the mid-1990s, making it one of the biggest uranium mining operations in the world.

Owned by Energy Resources of Australia, which is in turn controlled by North Broken Hill and Peko-Wallsend, Ranger supplies consumers in the US, West Germany, Sweden, Belgium, Japan and South Korea.

The third mine is the Olympic Dam project at Roxby Downs in South Australia. A joint venture between Western Mining Corporation and BP Australia, it will be starting operations next year, producing copper and gold as well as uranium.

The latter will be at an estimated rate of 2,000 tonnes of uranium oxide per year, and long-term supply contracts have been concluded with electricity supply authorities in Britain, Sweden and South Korea. Others are being negotiated.

Given this rapidly increasing production and the Australian government's own estimated 2,200 tonne stockpile – not to mention a stagnant world market – the Labor Party's anti-uranium forces see little economic reason for Canberra to allow another mine should Nabarlek shut down. They say the three-mine policy can become a two-mine policy.

The trouble is, there are other viable projects waiting in the wings to take Nabarlek's place, all with enthusiastic companies behind them.

One of the most outstanding is Pancontinental Mining's Jabiluka operation in the Northern Territory, which had probably proceeded furthest along the development track before the three-mine policy came into effect.

Said to be one of the largest uranium deposits in the world, it also contains gold. Pancontinental had already placed about half of its base production in the market when the three-mine policy was imposed. The company has since had to keep the operation on a care and maintenance basis while developing its other mining activities.

Other Australian companies meanwhile see openings in the world uranium market emerging in the next few years, either as major long-term contracts unwind or because of their own circumstances.

For example, CRA, which is 48 per cent owned by RTZ and one of Australia's biggest mining houses, has found uranium in the Kintyre area of the remote Rudall River National Park, in the heart of Western Australia.

The company says the deposit contains 15,000 tonnes of probable reserves and 15,000 tonnes of possible reserves. It adds that it expects to find more, and says it sees opportunities for more Australian uranium to be sold in the world market.

To help head off opposition, CRA has made a A$50,000 contribution to formulate a management plan for the park and consulted with neighbourhood Aboriginal groups.

Although it has run into antagonism from the Western Desert Land Council, it has some state government support. Given a chance, it would clearly like to operate Australia's third uranium mine.

It was precisely in recognition of this interest by the mining companies, and the obvious economic advantages to the country, that Mr Kerin quietly questioned Labor's policy last September.

"Just because Labor has a three-mine policy," he says, "it doesn't mean the party can stop thinking about it. All I was trying to do was get some debate going in the Labor Party again." Instead there was an instant backlash, from all sections of the party.

Which way the issue will go from here is far from clear. Australia, by its existing policy, has already decided in favour of uranium mining, albeit on a limited basis. To restrict it further would not impress potential buyers.

Yet as Mr Kerin says, "If you're going to be in the game, you have to keep thinking about the problems."

The looming problems are obvious. But Labor is not yet ready to resume the debate.

AFTER AN interruption of more than 10 years Canada is preparing to resume uranium supplies to Switzerland, writes John Wicks in Zurich. Sales had been suspended in 1977 when Switzerland was unable to meet Canadian demands for extensive non-proliferation guarantees.

Switzerland is already in the process of approving an agreement which would give it access to Australian uranium. At present almost all of the country's annual requirements of about 300 tonnes of the metal come from the US. The Swiss are now keen on diversifying their supplies.

An agreement signed by Federal President Pierre Aubert and the Canadian ambassador in Berne satisfies all the demands now made by Canada. These basically guarantee that nuclear products will be used solely for "peaceful, non-explosive purposes", that the international atomic energy agency is given inspection rights and that they can be exported only under specific conditions.

At the same time, the approval system in respect of the re-processing of nuclear materials of Canadian origin and the re-use of plutonium obtained has been simplified.

Record year likely for stainless steel

BY KENNETH GOODING, MINING CORRESPONDENT

STAINLESS STEEL producers, the major customers for nickel, are likely to have a near-record year in 1988, according to Mr Neil Buxton, an analyst with the Shearson Lehman Securities mining team in London.

He suggests that stainless steel output in 1987 might reach a record 8.95m tonnes, up by 9.3 per cent from the 1986 level. The strength of demand will almost certainly be carried over to the first half of 1988 and the strong start to the year should enable output to remain above 8.75m tonnes – the second-highest level on record.

Mr Buxton points out that the fortunes of the nickel industry are inextricably tied to the stainless steel producers, who account for about 55 per cent of nickel consumption.

Apart from the obvious benefits brought by high demand for stainless steel, the workings of the scrap cycle, which reduces the amount of scrap available during times of rising production, has further boosted demand for primary nickel, he adds.

Developments in steel technology have also reduced the amount of scrap available.

Mr Buxton says that, while crude steel production has stagnated, stainless steel output has been growing at an annual average rate of 2.8 per cent during the 1980s, rising from 6.9m tonnes at the start of the decade, to nearly 9m tonnes.

Stimulus has come mainly from the consumer goods sector with the metal's use by the automobile and fast-food sectors in particular increasing sharply.

In 1987 this demand was joined by a revival from the capital goods industries.

Mr Buxton, commenting in Shearson's Mining Weekly says: "As we expect stainless steel output to be maintained at current levels and scrap to remain tight in the first half of 1988, it looks as if the stainless steel industry will, as far as the nickel producers are concerned, remain the jewel in the crown.

"As there is no sign of a significant increase in nickel supplies the current tightness in the nickel market will be with us for some time, although prices are likely to come off in the first quarter of 1988 from the current excessively high levels"

'Moonshine' soaks up sugar

ILLEGAL distillers are being blamed for the virtual disappearance of sugar from Soviet stores, **reports Reuter from Washington.**

In a report dated December 17 the US agricultural attache in Moscow quoted an article in the Sel'skaya Zhizn newspaper which said that sugar was almost impossible to find in stores throughout the country despite sugar production levels which have overloaded warehouse capacity at processing plants.

"Letters to the newspaper," the article said, "blame distillers of moonshine for the severe deficit."

UK demands ballot on whaling plan

By David Blackwell

THE UK has authorised its commissioner to the International Whaling Commission to demand an urgent postal ballot of all member nations on a resolution calling on the Japanese Government not to proceed with plans to take 300 whales in the Antarctic early next year for scientific purposes.

Mr John Gummer, Minister of State for Agriculture, who is seeking the ballot, said in London that "any proposals for the killing of whales in the name of scientific research should be subject to the most rigorous justification to the IWC."

At a meeting of the IWC scientific committee in Cambridge last week, scientists from the majority of countries represented raised serious doubts about the Japanese proposal in relation to the guidelines laid down by the IWC on previous occasions. A five-year moratorium on commercial whaling was introduced in 1985.

Mr Gummer wants a vote on a resolution recommending the Japanese Government not to proceed with their plans "until the serious uncertainties identified in the scientific committee's discussion have been resolved.

"I very much hope that the Japanese Government will see the wisdom of this recommendation," Mr Gummer said.

British company imports more Chinese anthracite

BY MIRI ZLATNAR

THE THIRD cargo of Chinese Taisi anthracite to be shipped into the UK by United Coal as part of a $70m five year contract is due to arrive at the port of Birkenhead in early February.

The contract, for 100,000 tonnes per year of anthracite was signed in October with the China Industry and Commerce Development Corporation (Incomic) in conjunction with Total Energy Servicees, a joint venture between Hutchinson Whampoa and Total.

Incomic was assisted in securing the contract by Hunan Hong Kong Investment Company and Total Hutchinson Energy.

This is the first export contract for Incomic and the largest contract for Chinese anthracite to be signed by a UK company. The anthracite is being sold into the UK and Irish markets.

The first shipment of 23,400 tonnes arrived in the UK in November, the second of 22,800 tonnes earlier this month and the third, also of around 23,000 tonnes is due to leave the Chinese port of Lian Yun Gang on Christmas Day.

Another UK company, International Anthracite, owned by the E. H. Bennett Group of companies and Coal Distributors Ltd, also has a contract for Chinese anthracite with the China National Coal Import and Export Corporation for three 20,000 tonne cargoes of Taisi product with an option for a fourth for 1987-88.

Two of the cargoes have already been imported and sold on the domestic market and the third is about to be loaded with the option for the fourth cargo currently being considered.

These are the only two UK contracts for Chinese anthracite and in both cases the grade one product of 7 per cent volatility and 5 per cent ash is proving very popular in the domestic market. All cargoes are re-screened at Birkenhead to the preferred sizes.

More than one third of the UK's anthracite requirements, or some 500,000 tonnes, is being imported this year because of a severe lack of domestic availability.

British Coal says it has four collieries in South Wales producing 1m tonnes of graded domestic anthracite and 900,000 tonnes of power station fuel. About half of the total production comes from deep, old, inefficient mines which have prevented British Coal from supplying fully the UK and Irish markets for the past 15 years.

British Coal is trying, with great difficulty, to get planning permission to develop more open cast sites which it claims would replace total imports.

The go-ahead for open cast operations is being blocked by Labour-controlled councils in South Wales which want to keep the deep mine operations going. But British Coal claim these operations would not be affected by open cast development.

If British Coal is not successful in obtaining the planning permission than anthracite imports into the UK are bound to increase, particularly from China, whose price is cheaper than the domestic product.

Other sources of supply into the UK include Poland, The Soviet Union, South Africa, and West Germany, but prices from these countries are much higher than the domestic or Chinese.

As one UK industry source said: "We import out of desperation, regardless of price, and it is an absolute bonus that the Chinese have come up with an acceptable fuel at a low price."

Miri Zlatnar is deputy editor of International Coal Report.

Almond prices cut following bumper US and Spanish harvests

By Patrick Kelly

BUMPER 1987 almond crops in the two major producing countries, the US and Spain, have virtually halved prices from 1986 levels.

New crop prices stand at $305 per 220 lbs fob for the Californian non pareil select sheller run (NPSSR) variety, compared with $600 just over a year ago, London commodity broker Gill & Duffus says.

This year's world harvest yielded 386,000 tonnes of kernels, up from 214,000 tonnes in 1986.

The low prices have given almonds a decisive competitive advantage over hazelnuts, their main market rivals, Gill & Duffus notes.

It expects almonds to remain cheap in the next few months but does not foresee a return to the 1985 low of $217 because users need to rebuild their stocks after last year's shortage. The depreciation of the US dollar against major currencies, is also likely to prop up the market, Gill & Duffus says. The 1985 price slump was due to two successive years of massive production surpluses.

Early information on the progress of 1988 crops is essential to determine the price structure for almonds in the longer term, says the London broker. Import demand this year has been weaker than in previous seasons, even in countries which had been showing strong import growth such as West Germany, France and Japan.

West Germany imported some 12,606 tonnes of almond kernels in the first half of 1987 compared with 21,771 tonnes in 1986, while Japanese imports fell to 8,538 tonnes from 10,775 tonnes in the same period, according to figures produced by Gill and Duffus.

Spanish almonds remain more highly priced the Californian variety with unselected Valencia types fetching DM 660 per 100 kgs, free alongside, equating to around £2,250 a tonne.

Spain produced an estimated 70,000 tonnes of kernels this year against 52,000 tonnes in 1986, which when added to carry-over stocks from 1986 gives the country an exportable surplus of some 57,000, Gill & Duffus says.

A record 272,000 tonnes kernel crop is estimated for California by the state Crop and Livestock Reporting Service for 1987. Availability will be 100,000 tonnes greater than during last season.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES went into a sharp decline in late afternoon trading on news that talks in London at the International Cocoa Organisation (ICCO) had made no decision on the possibility of holding an emergency council meeting in January. The March contract closed £14 a tonne down at £1,072, having risen to over £1,100 a tonne in morning trading. Prices had been rising strongly for the past three days, partly on speculation that the ICCO would stage an emergency meeting to consider proposals for restoring the price support mechanism. But yesterday's news from the ICCO triggered an immediate decline which left some long holders unable to liquidate their positions, dealers said. Mr Edoaurd Kouame, ICCO executive director, said he would continue consulting members about the special session.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.05-5.20y	+0.575
Brent Blend	$17.45-7.65	+0.55
W.T.I.(1 pm est)	$16.65-6.70y	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-165	+2
Gas Oil	$156-158	+6
Heavy Fuel Oil	$81-82	+5
Naphtha	$140-142	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$482.25	−1.25
Silver (per troy oz)♣	677c	−5
Platinum (per troy oz)	$498.00	−3.75
Palladium (per troy oz)	$119.75	
Aluminium (free market)	$1995	−30
Copper (US Producer)	137½-141c	+0.5
Lead (US Producer)	42c	
Nickel (free market)	395c	+10
Tin (European free market)	£3810	+20
Tin (Kuala Lumpur market)	17.00r	+0.01
Tin (New York)	318.50c	
Zinc (Euro. Prod. Price)	$980	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	105.17p	+0.56
Sheep (dead weight)†	190.33p	−5.23
Pigs (live weight)†	72.40p	−1.85
London daily sugar (raw)	$226.40v	+0.60
London daily sugar (white)	$229.00v	+1.00
Tate and Lyle export price	£230.50	
Barley (English feed)	£112.00z	+0.50
Maize (US No. 3 yellow)	£135.00	
Wheat (US Dark Northern)	£94.75u	+0.25
Rubber (spot)♥	62.50p	+0.25
Rubber (Feb) ♥	64.50p	+0.25
Rubber (Mar) ♥	64.50p	+0.25
Rubber (KL RSS No 1 Jan)	272.00m	−0.50
Coconut oil (Philippines)§	$555v	−10
Palm Oil (Malaysian)§	$465	
Copra (Philippines)§	$375z	
Soyabeans (US)	£165w	+5
Cotton "A" index	75.35c	−0.05
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. v-Jan/Feb. z-Jan. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Dec	1050	1061	1060 1045
Mar	1072	1086	1106 1055
May	1091	1105	1125 1076
Jly	1112	1125	1145 1111
Sep	1132	1144	1163 1128
Dec	1157	1166	1157 1146
Mar	1176	1192	1210 1173

Turnover: 6814 (7696) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 23: 1375.27 (1391.99) .10 day average for December 24: 1364.21(1360.55).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1215	1204	1215 1202
Mar	1244	1231	1242 1230
May	1258	1252	1269 1250
Jly	1277	1275	1278 1268
Sep	1295	1285	1298 1288
Nov	1315	1305	1309 1308
Jan	1335	1330	

Turnover: 2774 (1961) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 22: Comp. daily 1979 114.91 (115.35); 15 day average 115.15 (115.22).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	204.00	197.40	204.20 196.80
May	202.60	196.20	202.80 196.00
Aug	201.60	196.20	202.00 195.80
Oct	203.00	197.00	203.00 196.80
Dec	204.40	198.00	
Mar	208.00	202.00	201.80
May	210.00	203.00	
White	**Close**	**Previous**	**High/Low**
Mar	238.00	232.00	238.00 231.00
May	241.50	236.00	242.00 235.00
Aug	246.00	240.50	246.00 240.00
Oct	246.00	240.50	244.50 240.20
Dec	248.00	241.00	
Mar	251.00	245.00	245.00
May	255.00	250.00	

Turnover: Raw 2428 (1443) lots of 50 tonnes; White 2479 (1112) .
Paris- White (FFr per tonne): Mar 1280, May 1298, Aug 1330, Oct 1335, Dec 1340, Mar 1370.

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	151.50	148.00	154.00 150.00
Feb	146.75	143.75	149.00 144.75
Mar	141.00	139.00	149.00 140.25
Apr	136.50	133.50	138.75 136.50
May	135.50	132.50	137.50 135.50
Jun	139.00	135.25	139.50 137.50

Turnover: 9449 (8100) lots of 100 tonnes.

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	113.70	113.60	113.75 113.70
Mar	115.20	115.25	115.45 115.20
May	117.50	117.45	117.75 117.50
Jly	120.00	120.10	120.50 120.00
Sep	103.75	103.40	
Nov	105.55	105.55	
Jan	108.30	108.20	
Barley	**Close**	**Previous**	**High/Low**
Jan	106.95	107.20	107.20 106.95
Mar	108.90	109.20	109.20 108.90
May	110.50	110.55	110.75 110.50
Sep	97.85	97.85	
Nov	100.35	100.35	
Jan	102.50	102.50	

Turnover: Wheat 133 (164) , Barley 289 (259) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1950-60	1890-900		1888-900		
3 months	1860-70	1810-20		1805-15	1850-60	3,100 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 10,300 tonne
Cash	1070-5	1035-6	1039	1037-9		
3 months	1004-5	976-7	1005/971	977-8	1001-1.5	92,835 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,875 tonne
Cash	1575-80	1572-82	1570/1560	1568-70		
3 months	1442-3	1422-5	1443/1420	1432-3	1433-4	78,925 lots
Copper, Standard (£ per tonne)						Ring turnover 150 tonne
Cash	1575-85	1580-90	1570	1570-5		
3 months	1415-25	1395-405		1405-15		30 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	672-5	679-81		675-7		
3 months	684-7	692-4		686-8	690-5	523 lots
Lead (£ per tonne)						Ring turnover 59,025 tonne
Cash	371-2	365-7	369	369-70		
3 months	355-6	348-9	361/359	353.5-4.5	360-1	13,386 lots
Nickel (£ per tonne)						Ring turnover 1,386 tonne
Cash	4950-70	4590-600	4760/4750	4775-80		
3 months	4710-1	4428-30	4800/4540	4560-5	4580-600	9,465 lots
Zinc (£ per tonne)						Ring turnover 20,825 tonne
Cash	505-6	470-2	488/482	485-6		
3 months	484.4-5.5	467-8	486/472	474-5	478-80	12,767 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	100.30	103.00	
Mar	87.20	87.50	
Apr	144.70	144.50	145.50 144.70
May	158.20	158.10	158.20
Nov	92.50	87.50	
Feb	98.00	92.60	

Turnover: 100 (50) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	140.00	140.00	
Apr	136.50	136.00	
Jun	124.00	124.50	
Aug	121.00	121.00	
Oct	121.00	121.00	
Dec	125.00	125.60	

Turnover: 0 (10) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1282.0	1277.0	1287.0 1282.0
Apr	1298.5	1290.0	1302.0 1298.0
Jly	1157.5	1165.0	
Oct	1250.0	1245.0	1250.0
BFI	1262.0	1261.5	

Turnover: 145 (196)

WOOL
Prices at the last auctions before the Christmas and New Year recess were steady but showed no definite firmer trend. This prolonged the dull trading which gradually developed after a good buying period during October. Production and delivery rates have in general remained high and order books have therefore declined, but for a large part of the UK industry they are still very satisfactory. The situation is not, however, quite as encouraging as it was a few weeks ago. Bradford top quotations are no more than steady and are unchanged at 484p a kg for 64s, 384p for 58s and 335p for 50s.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	482-482½	284¾-285¼
Opening	484½-485	285¾-286¼
Morning fix	483.25	284.432
Afternoon fix	481.50	284.372
Day's high	484½-485	
Day's low	480¾-480¾	
Coins	**$ price**	**£ equivalent**
US Eagle	496-501	272½-275½
Maple leaf	496-501	272½-275½
Britannia	496-501	272½-275½
Krugerrand	481-484	264½-266
1/2 Krug	251-260	137½-142½
1/4 Krug	125-138	68½-73
Angel	495-500	271½-274
1/10 Angel	50-55	27½-30¼
New Sov.	113½-114½	62¼-63
Old Sov.	113½-115	62¼-63¼
Noble Plat	516-528	283¾-290¼
Silver fix	**p/fine oz**	**US cts equiv**
Spot	371.05	676.10
3 months	379.30	689.60
6 months	388.10	703.25
12 months	405.35	730.05

US MARKETS

Trading volume was very light in most of the markets due to the upcoming holiday, reports Drexel Burnham Lambert. Gold, silver and copper all were featureless in spite of strength in the dollar. Crude oil futures rallied early in the session due to commission house buying. Long liquidation later in the day eased prices below the $17.00 level in the February contract. Coffee futures firmed slightly on commission house activity. Sugar also gained on trade buying. In the cocoa market speculators selling and broken-off ICCO talks caused prices to decline. Short-covering by local traders firmed up all the meat markets, correcting the previous day's sell-off. The grains were mixed in the maize and wheat futures. Local and commission house traders covered their positions before the holiday weekend causing soyabean and products prices to rise. Many commodity exchanges have shortened trading hours today.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	482.9	483.9	483.0	480.5
Jan	483.2	484.5	0	0
Feb	486.5	487.9	487.3	483.8
Apr	492.4	493.8	493.9	489.7
Jun	498.2	499.7	498.0	495.7
Aug	545.4	505.8	0	0
Oct	510.6	512.3	0	0
Dec	517.0	518.7	517.7	517.7
Feb	523.7	525.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	497.9	500.8	0	0
Jan	498.9	501.8	501.0	496.5
Apr	505.5	509.7	507.5	504.0
Jul	514.1	517.7	514.5	512.7
Oct	522.1	525.7	523.5	521.5
Jan	530.1	533.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	673.0	680.8	678.0	675.0
Jan	673.5	681.1	677.0	677.0
Feb	678.0	686.0	0	0
Mar	683.5	691.5	688.0	683.0
May	693.3	701.3	698.0	692.0
Jul	702.7	711.0	708.0	703.0
Sep	712.1	720.6	0	0
Dec	727.8	735.8	731.0	730.0
Jan	732.4	740.4	0	0
Mar	743.0	751.1	748.5	748.5

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	136.00	130.90	136.00	131.20
Jan	130.20	129.90	130.00	129.00
Feb	123.70	124.00	0	0
Mar	117.20	118.10	119.30	117.00
May	102.70	103.50	104.30	102.20
Jul	91.20	91.90	93.50	90.50
Sep	87.50	88.20	88.20	88.20
Dec	85.90	86.60	87.00	86.90
Jan	85.60	86.30	0	0
Mar	84.90	85.70	87.00	85.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	16.77	16.61	17.10	16.48
Mar	16.54	16.21	16.85	16.26
Apr	16.52	16.18	16.75	16.24
May	16.40	16.13	16.70	16.20
Jun	16.25	16.11	16.66	16.20
Jul	16.21	16.10	16.63	16.26
Aug	16.21	16.09	16.53	16.21
Sep	16.20	16.08	16.40	16.20
Oct	16.20	16.07	16.40	16.20
Nov	16.25	16.06	16.40	16.40

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jan	51.95	51.97	53.10	50.80
Feb	50.35	49.47	51.30	49.30
Mar	48.00	46.89	48.60	46.80
Apr	45.20	44.74	45.20	44.75
May	43.90	43.50	44.65	43.50
Jun	43.10	42.85	43.80	43.00
Jul	43.25	42.85	43.75	43.25
Aug	44.25	43.55	44.35	44.10
Sep	44.90	44.25	44.90	44.90
Oct	45.60	44.95	45.60	45.60

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1772	1834	1846	1768
May	1800	1864	1875	1798
Jul	1830	1890	1902	1830
Sep	1865	1919	1932	1858
Dec	1901	1958	1970	1898
Mar	1934	1991	2004	2004
May	1959	2016	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	129.95	128.91	129.95	129.01
May	132.03	131.07	132.10	131.30
Jul	134.00	132.85	134.00	133.15
Sep	135.90	134.47	135.95	135.15
Dec	136.75	136.13	0	0
Mar	138.25	137.13	0	0
May	139.00	140.13	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	8.95	8.86	8.53	8.51
Mar	9.08	8.77	9.12	8.74
May	9.09	8.72	9.04	8.70
Jul	9.04	8.74	9.05	8.70
Oct	9.06	8.78	9.05	8.77
Jan	9.10	8.84	0	0
Mar	9.27	9.07	9.27	9.08

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	68.91	67.22	68.95	67.50
May	69.70	68.10	69.85	68.30
Jul	69.87	68.40	70.00	68.70
Oct	65.10	65.23	66.25	65.50
Dec	65.20	64.30	65.50	64.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	167.50	168.25	167.50	166.00
Mar	169.00	168.15	169.00	167.55
May	169.25	168.25	169.40	168.40
Jul	169.80	168.20	169.80	169.25
Sep	168.25	168.15	168.25	167.75
Nov	162.70	162.45	162.30	162.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 22	Dec 21	mnth ago	yr ago
1740.7	1737.5	1700.1	1643.0

DOW JONES (Base: December 31 1974 = 100)

Spot	132.80	130.82	129.72	115.61
Futures	134.34	134.47	133.13	114.76

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	607/4	599/0	608/0	597/0
Mar	618/4	610/4	619/0	607/6
May	625/6	618/4	626/0	616/0
Jul	630/2	622/0	630/4	619/4
Aug	628/2	620/0	628/4	617/4
Sep	609/0	604/0	608/0	604/0
Nov	604/2	598/2	604/4	596/2
Jan	610/0	605/0	610/0	610/0
Mar	619/0	615/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	20.68	20.14	20.67	20.08
Mar	21.00	20.51	21.01	20.46
May	21.38	20.83	21.35	20.78
Jul	21.53	21.02	21.53	21.00
Aug	21.55	21.05	21.55	21.25
Sep	21.42	21.00	21.50	21.30
Oct	21.44	21.05	21.55	21.30
Dec	21.60	21.20	21.65	21.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	201.5	199.1	202.0	198.1
Mar	191.8	190.1	192.0	189.0
May	184.9	183.9	185.0	182.3
Jul	181.2	180.2	181.7	179.0
Aug	181.0	180.0	181.0	178.5
Sep	180.0	179.3	180.0	178.5
Oct	178.0	176.7	178.0	177.0
Dec	178.0	176.7	178.0	176.5
Jan	179.5	177.0	179.0	180.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	189/6	189/0	190/0	187/2
May	195/0	194/6	195/2	193/2
Jul	199/4	199/6	199/6	198/0
Sep	199/4	199/4	201/0	198/2
Dec	198/2	198/2	198/4	197/0
Mar	204/6	205/0	205/0	204/0
May	206/6	209/6	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	316/6	319/4	321/0	317/2
May	314/0	312/0	314/2	311/0
Jul	303/0	301/0	304/2	299/4
Sep	306/0	304/6	307/4	303/4
Dec	313/4	312/2	313/4	312/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	60.75	60.32	61.25	60.52
Apr	63.22	62.92	63.55	62.80
Jun	63.35	63.05	63.65	63.10
Aug	61.25	60.85	61.55	61.10
Oct	60.37	60.25	60.90	60.35
Dec	62.30	62.10	62.30	62.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.22	40.65	41.35	40.77
Apr	38.47	38.05	38.57	38.05
Jun	41.82	41.37	41.85	41.37
Jul	42.55	42.30	42.80	42.20
Aug	41.65	41.40	42.15	41.65
Oct	38.60	38.45	38.70	38.45
Dec	39.25	39.00	39.25	39.25

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.25	49.85	51.00	49.95
Mar	50.32	49.95	51.10	50.05
May	51.67	51.47	52.15	51.20
Jul	52.02	51.80	52.45	51.40

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Modest boost for dollar

THE DOLLAR finished higher on the day after the overnight statement from the Group of Seven on economic cooperation and currency stability.

Comments by officials in London and Bonn about the dollar being undervalued added support to the currency, but trading was very thin, as the market continued to wind down ahead of the holiday period and the year end.

News of a record West German current account surplus in November, and a larger than expected UK current account deficit for the same month failed to have much impact in such thin conditions.

End of year commercial demand has also provided the dollar with support in recent days, but in general the market's view of the currency remains bearish. Dealers feel the US is not prepared to take strong enough measures to support the dollar, for fear of provoking a recession during the run up to the US Presidential election next year.

The dollar finished around the middle of the day's range, rising to DM1.6360 from DM1.6285; to FFr5.5325 from FFr5.5050; to SFr1.33 from SFr1.3235; and to Y126.75 from Y126.60.

On Bank of England figures the dollar's index rose to 93.6 from 93.2.

STERLING-Trading range against the dollar in 1987 is 1.8305 to 1.4710. November average 1.7770. Exchange rate index fell 0.2 to 75.4, compared with 71.7 six months ago.

Sterling weakened with other European currencies against the dollar, but was generally little changed. Firmer oil prices provided support, but this was offset by worse than expected trade figures.

The visible deficit of £1.19bn in November, compared with City forecasts of around £950m, and gave a current account shortfall of £595m, against estimates of £350m.

The pound fell 65 points to $1.8235-1.8245 and also eased to Y231.25 from Y231.75, but improved to DM2.9850 from DM2.98; to FFr10.0925 from FFr10.0775; and to SFr2.4250 from SFr2.4225.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6220. November average 1.6809. Exchange rate index 150.9 against 146.5 six months ago.

The D-Mark weakened against the dollar in Frankfurt, but trading was quiet, with many banks already closed for the Christmas holiday.

The dollar rose to DM1.6385 at the Frankfurt close, from DM1.6300 on Tuesday, boosted by official comments that the dollar is undervalued. Mr Nigel Lawson, UK Chancellor, and Mr Gerhard Stoltenberg, West German Finance Minister, were in agreement on this.

There was no strong reaction to news that the West German trade surplus widened to a near record DM11bn in November, and the current account surplus increased to a record DM10.3bn. The Bundesbank did not intervene when the dollar was fixed at DM1.6375, against DM1.6305 previously.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 126.20. November average 135.90. Exchange rate index 240.5 against 219.1 six months ago.

The yen was unchanged against the dollar in Tokyo at Y125.55, as dealers took a less then enthusiastic attitude towards the G7 statement. It was feared the US still has no intention of taking strong measures to support the dollar, and that the currency will weaken further in the new year.

The comment by Mr Satoshi Sumita, governor of the Bank of Japan, that he sees no need for a G7 meeting at present, dampened speculation in the market that finance ministers from the leading industrial nations will meet soon to discuss economic cooperation.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1999	+1.75	+0.98	±1.5344
Danish Krone	7.85212	7.95102	+1.26	+0.49	±1.5404
German D-Mark	2.05853	2.06497	+0.31	-0.46	±1.0981
French Franc	6.90403	6.98409	+1.16	+0.39	±1.3674
Dutch Guilder	2.31943	2.32454	+0.22	-0.55	±1.5012
Irish Punt	0.768411	0.776894	+1.10	+0.33	±1.6684
Italian Lira	1483.58	1516.58	+2.22	+1.89	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

	£	$
Luxembourg	62.40-62.50	34.20-34.30
Malaysia	4.5300-4.5505	2.4910-2.4960
Mexico	4058.80-4115.70	2230.00-2260.00
N. Zealand	2.8000-2.8500	1.5395-1.5425
Saudi Ar.	6.8220-6.8280	3.7495-3.7505
Singapore	3.6385-3.6495	2.0000-2.0030
S. Af (Cm)	3.5495-3.5655	1.9530-1.9590
S. Af (Fn)	5.5605-5.7350	3.0535-3.1495
Taiwan	53.15-53.40	28.50-28.60
U.A.E.	6.6820-6.6880	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Little reaction to G7

TRADING IN yesterday's Liffe market was predictably rather boring. The timing of the announcement on cuts in the US budget deficit and comments by G-7 ministers was unfortunate because most traders were not in the market.

At any other time of the year these factors, plus a wider UK trade deficit, would have created a good deal of movement. However there was really no incentive to act now, rather than wait until the new year.

Most dealers were less than impressed by comments made in the wake of the US budget cuts. "We have heard it all before" one dealer volunteered. This appeared to be especially relevant since there was little reference in the new accord concerning exchange rate levels. This was seen as a tacit admission that as long as the US authorities were not prepared to defend the dollar at a certain level, then the possibilitiesof a further decline remained likely.

In view of the very low volume, it was very difficult to establish any real trend. UK trade figures were a little worse than expected. The visible trade deficit at £1.19bn was a little outside expectations of £1bn.

Long gilts opened at 117-27 for March delivery, down from 118-00 on Tuesday and traded between a high of 118-03 and a low of 117-20 before closing at 118-08.

Short sterling finished slightly lower for March delivery at 90.83 from 90.85 at the opening and Tuesday's close.

US Treasury bond prices rallied in line with a better dollar, opening at 87-27 for March delivery and moving up to a high of 88-28 before finishing at 88-27, up from 87-17 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	3.11	4.27	1.05	2.27
118	2.03	3.23	1.61	3.23
120	1.15	2.31	3.09	4.31
122	0.45	1.50	4.39	5.50
124	0.26	1.16	6.20	7.16
126	0.12	0.54	8.06	8.54
128	0.10	0.36	10.04	10.36
130	0.04	0.23	11.62	12.23

Estimated volume total, Calls 325 Puts 174
Previous day's open int: Calls 27818 Puts 15049

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	7.10	7.05	0.20	1.05
84	5.35	5.42	0.45	1.42
86	3.59	4.26	1.05	2.26
88	2.36	3.23	1.46	3.23
90	1.35	2.13	2.45	4.31
92	0.60	1.51	4.06	4.51
94	0.32	1.17	5.42	7.17
96	0.16	-	7.26	-

Estimated volume total, Calls 27 Puts 25
Previous day's open int: Calls 800 Puts 794

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Jan	Calls-Last Feb	Puts-Last Jan	Puts-Last Feb
15000	29.78	30.65	0.18	1.05
15250	-	-	-	-
15500	25.03	26.35	0.43	1.75
15750	-	-	-	-
16000	20.50	22.20	0.90	2.46
16250	-	-	-	-
16500	16.31	18.58	1.71	3.98
16750	-	-	-	-

Estimated volume total, Calls 0 Puts 30
Previous day's open int: Calls 6 Puts 2

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE-EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

MONEY MARKETS

UK rates static

UK INTEREST rates were little changed yesterday in very quiet trading. UK trade figures showed a noticeable deterioration in November over the October figure but this was much as expected.

However sterling's weaker trend left a less than sweet taste in the mouths of those traders still in the market, and the possibility of an upward change in base rates, rather than a cut, appeared to have a prevailing influence.

UK clearing bank base lending rate 8½ per cent from December 4

Three-month interbank money was quoted at 9-8⅞ p.c., against 8$\frac{15}{16}$-8$\frac{13}{16}$ on Tuesday while the 12-month rate was unchanged at 9½-9⅜ p.c. Overnight money opened at 8⅜-8¼ p.c. and moved up to 8¾ p.c. before slipping away to 6½ p.c. Late balances were taken at 8 p.c.

The Bank of England forecast a shortage of around £550m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £838m and a rise in the note circulation of £45m. In addition banks brought forward balances £55m below target. These were partly offset by Exchequer transactions which added £375m.

The Bank gave assistance in the morning of £338m on a revised shortage of £750m. This comprised outright purchases of eligible bank bills, £98m in band 1, £13m in band 2, £17m in band 3 and £210m in band 4, all at 8⅜ p.c.

A further revision took the forecast to a shortage of around £650m, before taking into account the early help and the Bank gave additional assistance in the afternoon of £294m through outright purchases of £258m of eligible bank bills in band 1 and £11m in band 2, all at 8⅜ p.c.. In band 3 it bought £8m of Treasury bills and in band 4 £17m of eligible bank bills, all at 8⅜ p.c. Late assistance came to £85m, making a total of £717m.

In Frankfurt call money rates fell after news that the Bundesbank had allocated DM11.7bn at yesterday's sale and repurchase tender. The fixed rate agreement at 3.25 p.c., replaced a maturing facility of DM7.8bn and went some way to offset the strains on short term liquidity caused by corporate tax payments.

Banks have also to repay around DM1bn, injected into the market through state owned banks on Tuesday and also Lombard borrowings which were increased on Tuesday by a further DM700m.

While balances will be improved through end of month pension and salary payments, funds could be further drained by end of year window dressing.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

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EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 500	149	12	3	25	-	-	$ 482.50
GOLD C	$ 520	30	7	4	27.50 A	-	-	$ 482.50
GOLD C	$ 540	-	-	30	12.70	-	-	$ 482.50
GOLD P	$ 520	10	39 B	-	-	-	-	$ 482.50
		Jan. 88		Feb. 88		Mch. 88		
EOE Index C	Fl. 165	16	15	2	19.50	4	22	Fl. 177.16
EOE Index C	Fl. 175	65	8.50	1	13.50 B	10	17	Fl. 177.16
EOE Index C	Fl. 180	51	5.90	-	-	-	-	Fl. 177.16
EOE Index C	Fl. 185	20	4	6	8.50 B	-	-	Fl. 177.16
EOE Index C	Fl. 190	38	2.70	-	-	-	-	Fl. 177.16
EOE Index C	Fl. 195	30	1.60	-	-	-	-	Fl. 177.16
EOE Index P	Fl. 155	8	1	101	2.50	-	-	Fl. 177.16
EOE Index P	Fl. 160	28	1.50	105	3.50	-	-	Fl. 177.16
EOE Index P	Fl. 165	28	2.30	100	5.20	-	-	Fl. 177.16
EOE Index P	Fl. 170	32	3.50	22	7	4	10	Fl. 177.16
EOE Index P	Fl. 175	30	5.50	-	-	10	11	Fl. 177.16
EOE Index P	Fl. 180	29	8	10	12.40 A	-	-	Fl. 177.16
EOE Index P	Fl. 185	14	11.20	-	-	-	-	Fl. 177.16
EOE Index P	Fl. 255	16	78 A	-	-	-	-	Fl. 177.16
$/Fl C	Fl. 185	32	2	-	-	25	3.40	Fl. 184.40
$/Fl C	Fl. 190	228	0.80	8	1.70	459	1.70	Fl. 184.40
$/Fl P	Fl. 175	-	-	11	1.20 A	25	1.90	Fl. 184.40
$/Fl P	Fl. 180	556	1.10	58	2.20	1	3.25	Fl. 184.40
$/Fl P	Fl. 185	107	3.10	12	4.30	48	6	Fl. 184.40
$/Fl P	Fl. 195	5	11	-	-	10	12.50	Fl. 184.40
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 44	58	0.30	-	-	-	-	Fl. 39.40
ABN P	Fl. 46	79	6.70	65	7.10	-	-	Fl. 39.40
AEGON C	Fl. 60	92	2.80	3	5.50	-	-	Fl. 60.40
AEGON P	Fl. 60	24	2.50	3	4 A	-	-	Fl. 60.40
AHOLD C	Fl. 60	24	5.70	3	7.50	-	-	Fl. 64.40
AHOLD P	Fl. 65	4	3.90 A	13	6	-	-	Fl. 64.40
AKZO C	Fl. 120	233	0.30	7	2.20 B	-	-	Fl. 92.50
AKZO P	Fl. 90	178	2.50	29	6.70	1	11	Fl. 92.50
AMEV C	Fl. 60	8	0.10	-	-	-	-	Fl. 36.50
AMEV P	Fl. 35	20	1	-	-	-	-	Fl. 36.50
AMRO C	Fl. 65	-	-	65	1.80	-	-	Fl. 57.50
AMRO P	Fl. 60	10	3	-	-	-	-	Fl. 57.50
ELSEVIER C	Fl. 50	88	1.20	65	3	-	-	Fl. 45.50
ELSEVIER P	Fl. 40	20	0.50	23	2.50	-	-	Fl. 45.50
GIST-BROC. C	Fl. 25	25	1	15	3	1	3.50	Fl. 24.10
GIST-BROC. P	Fl. 45	277	21.50	-	-	275	22.60	Fl. 24.10
HEINEKEN C	Fl. 140	49	2	10	7	-	-	Fl. 127.70
HEINEKEN P	Fl. 120	36	1.70	-	-	-	-	Fl. 127.70
HOOGOVENS C	Fl. 30	4	1	34	2.80	-	-	Fl. 28
HOOGOVENS P	Fl. 25	84	0.90	-	-	-	-	Fl. 28
KLM C	Fl. 30	667	2.70	172	4.40	8	5.90	Fl. 31.40
KLM P	Fl. 27.50	581	0.50	50	1.90	5	2.80	Fl. 31.40
NEDLLOYD C	Fl. 150	114	2	5	9 B	-	-	Fl. 134
NEDLLOYD P	Fl. 130	128	7	8	13	12	17.50	Fl. 134
NAT.NED. C	Fl. 55	3	0.40 B	65	2.30	-	-	Fl. 49.30
NAT.NED. P	Fl. 65	-	-	-	-	17	17	Fl. 49.30
PHILIPS C	Fl. 30	49	0.60	108	1.90	7	2.70	Fl. 27.40
PHILIPS P	Fl. 30	82	2.80	44	4.50	20	5.70	Fl. 27.40
ROYAL DUTCH C	Fl. 200	601	7.50	207	14.50	17	17	Fl. 204
ROYAL DUTCH P	Fl. 210	108	8	317	13 A	2	20	Fl. 204
ROBECO C	Fl. 105	-	-	9	1.40	-	-	Fl. 83.30
ROBECO P	Fl. 90	2	7	99	10	-	-	Fl. 83.30
UNILEVER C	Fl. 100	86	9.40	10	14.50	-	-	Fl. 107.60
UNILEVER P	Fl. 100	24	1.30	156	5.30 B	3	8.70 A	Fl. 107.60

TOTAL VOLUME IN CONTRACTS : 18,428

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
AAB - Allied Arab Bk.	8½	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Int'l(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	10½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l TstC'p plc	8½	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williamson Secs.	8½
B & C Merchant Bank	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Banco de Bilbao	8½	First Nat. Fin. Corp.	10	TSB	8½
Bank Hapoalim	8½	First Nat. Sec. Ltd.	10	UDT Mortgage Exp	♦10.2
Bank Leumi (UK)	8½	● Robert Fleming & Co.	8½	United Bk of Kuwait	8½
Bank Credit & Comm.	8½	Robert Fraser & Ptnrs.	9½	United Mizrahi Bank	8½
Bank of Cyprus	8½	Girobank	8½	Unity Trust Bank Plc	8½
Bank of Ireland	8½	Grindlays Bank	8½	Western Trust	8½
Bank of India	8½	● Guinness Mahon	8½	Westpac Bank Corp.	8½
Bank of Scotland	8½	HFC Trust & Savings	8½	Whiteaway Laidlaw	9
Banque Belge Ltd	8½	● Hambros Bank	8½	Yorkshire Bank	8½
Barclays Bank	8½	Heritable & Gen Inv Bk.	8½		
Benchmark Tst Ltd	8½	● Hill Samuel	§8½		
Beneficial Trust Ltd	9½	C. Hoare & Co.	8½		
Berliner Bank AG	8½	Hongkong & Shangh	8½		
Brit Bk of Mid East	8½	Lloyds Bank	8½		
● Brown Shipley	8½	Meghraj Bank Ltd	8½		
Business Mtge Tst	9	Midland Bank	8½		
CL Bank Nederland	8½	● Morgan Grenfell	8½		
Central Capital	8½	Mount Banking Co Ltd	8½		

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INTERNATIONAL APPOINTMENTS

Senior group post for UK unit head of Cray Research

THE US-BASED Cray Research, which designs, manufactures, markets and supports large-scale, high-speed computer systems for scientific and engineering applications, has elected as vice-president the corporation's head of UK operations.

He is Mr Neil Davenport, who joined the group in April, 1981, as managing director of Cray Research (UK), a position he will continue to hold.

During his tenure, the UK business unit increased its revenue ten-fold and expanded marketing to include Abu Dhabi, Australia, India, the Netherlands, Norway, Saudi Arabia and Sweden. The unit supports its own supercomputer data centre and more than 20 Cray system installations at customer sites.

"Neil has built an outstanding organisation in the UK that has opened up new geographical markets for the company, and profitably managed the many diverse customer installations throughout its territory," said Mr Marcelo Gumucio, executive vice-president of marketing for Cray Research. "Neil's promotion is an acknowledgement of his considerable contributions to the company, and also symbolises the increasingly important role of the international marketplace for Cray Research."

Prior to joining Cray, Mr Davenport served for 11 years with the British computer firm ICL.

Future chairman at Texas Instruments

BY LOUISE KEHOE IN SAN FRANCISCO

TEXAS Instruments, the US semiconductor and electronics manufacturer, announced that chairman Mr Mark Shepherd is to retire next April.

Mr Jerry Junkins, president and chief executive officer, will assume the additional position of chairman of the board.

Commenting on his nearly 40 years with the company, Mr Shepherd said: "Not many people in their lives have the opportunity – and the privilege – of helping to build not only a great company, but also an industry that has had as profound an impact on society as the semiconductor industry. I am deeply grateful to the founders of Texas Instruments for affording me that privilege. As to the future, I am confident that the company is in very good hands."

Although he will relinquish his title as chairman, Mr Shepherd will remain on the board.

"Mark has been a principal driving force behind the growth and success of this company," said Mr Junkins. "In a real sense, Mark was the front-line pioneer of its semiconductor business, and contributed directly to many of the technological developments that will make electronics, based on semiconductors, the world's largest industry by the end of this century."

Mr Shepherd joined Texas Instruments in 1948 as a project engineer. He progressed to hold the post of chief semiconductor design engineer, and in 1954 was made general manager of the semiconductor components unit.

He was elected to the board of directors in 1963, and in 1967 became president. In 1969 he was designated chief executive officer, and in April, 1976, was elected chairman of the board.

Mr Junkins' employment with the firm began in 1959 as a manufacturing engineer. He was appointed president and chief executive in May, 1985.

New president for Chevron USA

CHEVRON, the fourth-largest US oil company, has named Mr Willis Price, aged 56, president of its Chevron USA subsidiary.

He is succeeding Mr James Sylla, who was killed, along with some other executives of the subsidiary, in the December 7 crash of a Pacific Southwest Airlines plane in California that claimed a total of 43 lives.

Mr Price, formerly in charge of manufacturing, supply and marketing for Chevron, is also replacing Mr Sylla, who was 53, on the Chevron parent's nine-member executive committee.

* * *

MORGAN GRENFELL, the North American investment banking subsidiary of Morgan Grenfell Group Plc, named Martin. R. Wade III a managing director in charge of North American corporate finance and mergers, and acquisitions advisory activities.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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Sceptre Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Sceptre Global Gth Ac.	27.2	29.0	-0.1	–
Do. Income	27.1	28.9	-0.1	0.29
Sceptre European Acc.	20.5	22.9	+0.2	–
Do. Income	20.5	21.9	+0.2	0.11
Sceptre UK Eq Inc Acc.	34.2	36.1	+1.1	–
Do. Income	32.4	34.7	+1.0	[illegible]
UK Cap Gth Acc.	22.2	23.4	+0.8	0.75
Sceptre Pac Basin Acc.	25.9	27.6	–	–
Sceptre Mngd Exempt*	136.2	141.9	+4.6	–

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intl Income Units	118.5	126.1	(z)	3.04
Intl Accum Units	180.5	192.0	(z)	3.04
UK General Acc.	36.2	38.7	(z)	3.11
UK General Inc.	34.8	37.2	(z)	3.11
American	26.0	27.8	(z)	0.64
European	33.7	36.0	(z)	0.96
Japan	51.8	55.4	(z)	–
Technology	33.1	35.4	(z)	1.42
Performance Trusts				
Far East Perf Tst	15.3	16.4	(z)	0.44
High Inc Perf Tst Inc.	22.9	24.5	(z)	5.37
High Inc Perf Tst Acc.	23.3	24.9	(z)	5.37
Worldwide Tech Perf Tst	26.0	27.8	(z)	–

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	198.0	211.9	+0.6	2.83
Columbus (America)	118.9	127.2	+1.2	1.40
Marco Polo (Pacific)	190.3	203.6	-0.4	0.39
Da Vinci (European)	206.3	220.7	+2.4	1.06
Drake	48.3	51.7	–	3.03

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse, Colchester CO1 1RA 0206 764400

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

INSURANCES

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Continued on next page

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Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assoc.	360.7	379.8	—	–
Eb'r Ph. Eq.	324.7	334.4	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	157.3	165.5	+0.7	–
International Acc.	117.8	123.9	+2.1	–
Property Acc.	120.4	126.7	+0.1	–
Fixed Interest Acc.	147.4	155.1	+0.2	–
Money Acc.	133.6	140.6	+0.1	–
Bldg. Soc. Link Acc.	131.4	138.3	—	–
Special Mngd. Acc.Q	138.8	146.1	+0.7	–
Phoenix/Framlington				
Intnl. Growth Acc.	78.5	82.6	+2.5	–
Amer. & Gen. Acc.	71.3	75.0	+1.6	–
Capital Tst. Acc.	163.6	172.2	+3.7	–
Japan & Gen Acc.	158.6	166.9	+1.6	–
American Turn. Acc.	70.7	74.4	+2.3	–
Recovery Tst. Acc.	153.1	161.1	+4.4	–
Special Mngd Acc.	131.0	136.8	+2.6	–
Phoenix/GT				
International Acc.	114.6	120.6	+2.6	–
US & General Acc.	85.8	90.3	+3.2	–
Amer Smlr. Sits Acc.	60.3	63.4	+2.4	–
Japan & General Acc.	155.2	163.3	+2.2	–
Far East & Gen Acc.	127.3	133.9	+2.0	–
UK Capital Acc.	158.6	166.9	+6.0	–
Europe Acc.	125.4	131.9	+0.2	–
Special Mngd. Acc.	117.5	[illegible]	[illegible]	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS — Contd

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
134⅝	116½	Exch. 12pc '13-'17	125¾	+⅛	9.68	9.49

Undated

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
45⅜	39⅜	Consols 4pc	42⅜	−⅛	9.48	—
41⅞	34⅜	War Loan 3½pc‡‡	37⅜	−⅛	9.36	—
52⅞	46½	Conv. 3½pc '61 Aft	49⅞	−⅛	7.13	—
34⅞	29⅞	Treas. 3pc '66 Aft	31⅛	−⅛	9.66	—
29⅞	24⅞	Consols 2½pc	26½xd		9.46	—
29⅞	24⅞	Treas. 2½pc	26½		9.42	—

Index—Linked

1987 High	1987 Low	Stock	Price £	+ or −	(1)	(2)
139⅞	125⅞	Treas. 2pc '88(297.1)	133⅞		—	—
119¾	108⅞	Do. 2pc '90(333.9)	117⅛xd	+¼	1.37	2.60
101⅛	93½	Do. 2pc '92‡‡ (385.8)	99⅞	+¼	2.27	2.88
130⅞	119⅛	Do. 2pc '96(267.9)	129⅛	+¼	3.43	3.73
111⅛	96⅛	Do 2½pc '01 (308.8)	108⅛	+	3.79	4.00
110	94½	Do. 2½pc '03(310.7)	105⅝	+	3.80	4.00
113⅞	94⅞	Do. 2pc '06(274.1)	107½xd	+	3.82	3.99
108	89⅞	Do. 2½pc '09(310.7)	100⅝	+	3.83	3.99
113⅞	93⅞	Do. 2½pc '11(294.1)	104⅞	+	3.81	3.97
95⅞	76⅞	Do. 2½pc '13(351.9)	86⅞	+	3.81	3.93
103⅞	83⅞	Do. 2½pc '16(322.0)	93⅞xd	+	3.75	3.89

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	1987 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.@	45		3.50	†7.42
52	40	Do. 6pc 28 Stb. Ass.	45		3	†6.37
50	45	Do 4pc Mixed Ass.	45		2	†4.44
66	58	Hung. '24 Ass@	63		2.75	†4.22
146½	122⅞	Hydro Quebec 15pc 2011	132¼	−⅛	14.97	11.10
136¼	115½	Iceland 14½pc Ln 2016	128½	−⅛	14.42	11.94
103½	94	Ireland 9¾pc '91-96	99		9.75	10.80

AMERICANS

1987 High	1987 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42	23⅞	Abbott Laboratories‖	25½	−⅞	$1.00	—	2.1
40⅞	20⅛	Alcoa $1	27¾	+¼	$1.20	—	2.4
18⅞	420p	◆Allegheny & W $0.01	558p		30c	—	2.9
19⅞	7⅞	Amax $1	11⅜	−⅛	—	—	—
30⅞	13½	Amdahl 5c	19⅜		20c	—	0.6
35⅞	18⅞	Amer. Cyanamid $5	23⅞		$1.05	—	2.4
25⅞	11⅞	Amer. Express $0.60	12⅞xd	−⅛	76c	—	3.3
12⅞	636p	Amer. Medical Int. $1	698p	−20	¢72c	—	5.6
22⅞	14¼	American T. & T. $1	15⅞	+⅛	$1.20	—	4.2

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	21⅞xd	+⅛	$1.16	–	2.9
18¼	8¾	Rockwell Intl. $1	9½	–¼	66c	–	3.7
30½	16¼	Sara Lee $1(1/3)	20¼xd	+⅛	$1.00	–	2.7
11⅞	8¾	Saul (B. F.) $1	9¾	+⅛	20c	–	1.1
27½	21⅛	Southwestern Bell $1	18⅝	–⅛	b$2.32	–	6.8
22⅝	994p	Staley Continental	11¼		80c	–	3.9
44⅞	21⅝	Sun Co. Inc. $1	28⅝	+⅜	$3.00	–	5.8
42¼	22¼	TRW Inc. $0.625	27½xd	+⅜	b$1.60	–	3.2
37⅝	21⅞	Tenneco $5	23⅜xd	+⅞	$3.04	–	7.0
220	149½	Do. 10pc Ln.Stk. 91-5	195xd		10%	–	14.7
29⅝	15⅞	Texaco $6.25	20⅝xd	+⅛	$3.00	–	8.0
74½	36½	Time Inc. $1	44½xd	–⅛	$1.00	–	1.2
20⅞	11	Tracor $0.33(1/3)	17½xd		40c	–	1.3
30⅝	15	Transamerica $1	16⅜xd	+⅜	$1.84	–	6.2
14⅞	1¼	Transworld Corp $5	801p	–5	20c	–	1.4
27⅛	12¼	TRINOVA Corp.	18½	–⅛	56c	–	1.7
24⅛	12⅝	♦USX $1	17⅜	+⅝	$1.20	–	3.8
37⅞	16⅞	Utd. Technologies	18⅝xd	+⅛	$1.40	–	4.0
38⅝	25¼	US West ‖	28⅝	+⅜	$3.28	–	6.2
30½	17⅛	Waste Management $1	28⅝xd	+¼	–	–	–
31⅜	11⅝	Whirlpool $1.0	12½	–⅛		–	–
37⅛	16½	♦Woolworth $3½	18⅝		$1.32	–	3.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES – Contd

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	487	+2	†10.5	–	3.5	–
*£11½	739	Prudential	888	+16	†29.0	–	4.7	–
598	350	Refuge 5p	438	+25	15.75	–	4.9	–
595	345	Royal	409	+8	†15.5	–	5.2	–
110	75	Saltire Ins. Invs.	75		–	–	–	–
*345	248	Sedgwick Group 10p	224		12.0	1.7	7.3	9.6
379	138	Steel Burrill J.10p	155		†9.0	2.0	8.0	8.6
612	303	Stenge Hldgs 20p	329	+1	†6.0	2.5	2.5	21.6
£12⅝	645	Sun Alliance	800	+8	†23.5	–	3.7	–
£13	865	Sun Life 5p	943	+28	†28.5	–	4.3	–
[illegible]	[illegible]	Taisho M. EDR	[illegible]	[illegible]	[illegible]	–	1.0	–
£22⅝	£12⅝	Torchmark $3.00	[illegible]	[illegible]	[illegible]	–	4.0	–
410	295	Trade Indemnity	357		†4.3	–	1.6	–
£34	£17⅞	Travelers $1.25	£19⅝	+¼	$2.28	–	6.4	–
£30⅜	£15⅝	USF & G Corp $2.50	£18⅞	-1⅝	Q$2.48	–	8.2	–
£33⅞	£15⅝	USLIFE Corp. $1.0	[illegible]	-⅝	Q$1.28	3.2	4.3	7.2
738	525	Wtd Friendly B 10p	525	-5	21.0	–	5.5	–
464	192	Willis Faber 12½p	240	-3	†10.75	2.4	6.1	9.1
128	41	Windsor Secs. 10p	99	+1	†0.7	3.5	1.6	–

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	A & M Group 10p	34		–	–	–	–
242	77	Airtours 10p	87	+1	L6.4	♦	9.0	♦
*549	253	Anglia TV	351	+1	†g11.25	3.3	4.4	9.7
194	77	Aspinall Hldgs. 10p	163		†6.0	1.2	5.0	22.3
141	62	Aveseo 1p	75		0.5	6.7	0.9	21.5
72	40	BCE Hldgs 5p	44	-1	L1.0	♦	3.1	♦
300	132	Barr & W.A.T. 'A'	180	+5	†8.0	1.4	6.1	14.7
58	22	Bond Media	22		–	–	–	–
235	165	Boosey & Hawkes	170		–	–	–	–
83	28	Border T.V.	48		1.4	♦	4.5	♦
*439	43½	Brent Walker 10p	287	+1	†g8.5	2.2	4.3	13.9
324	79	Do 6pc.Cv.Cm.Rd.Pf.	93	-1	6.0	–	8.8	–

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	66	
Craig & Rose £1	625	-25
Finlay Pkg. 5p	81	
Holt (Jos) 25p	£11⅞	

Arnotts	385	
CPI Hldgs	53	
Carroll Inds	150	+6
Dublin Gas	40#	
Hall (R. & H.)	105	
Helton Hldgs	43	+3
Irish Ropes	158½	
Unidare	300	

IRISH

Fund 11¼% 1988	£100⅝	
Nat. 9¾% 84/89	£99⅝	
Fin. 13% 97/02	£113⅝	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	42
Amstrad	20
BAT	57
BOC Grp	46
BSR	13
BTR	33
Barclays	52
Beecham	52
Blue Circle	44
Boots	28
Bowaters	41
Brit Aerospace	42
Brit. Telecom	28
Burton Ord	32
Cadburys	30
Charter Cons	41
Comm Union	40
Courtaulds	42
FKI Babcock	14
FNFC	31
Gen Accident	105
GEC	22
Glaxo	155
Grand Met	50
GUS 'A'	150
Guardian	110
GKN	36
Hanson Tst	19
Hawker Sidd	55
ICI	145
Jaguar	42
Ladbroke	40
Legal & Gen	33
Lex Service	35
Lloyds Bank	30
Lucas Inds	42
Marks & Spencer	24
Midland Bk	47
Morgan Grenfell	37
NEI	18
Nat West Bk	67
P & O Dfd	65
Plessey	20
Polly Peck	36
Racal Elect	30
RHM	40
Rank Org Ord	65
Reed Intnl	50
STC	29
Sears	18
TI	35
TSB	16
Tesco	22
Thorn EMI	64
Trust Houses	28
T&N	22
Unilever	62
Vickers	22
Wellcome	42
Property	
Brit Land	32
Land Securities	55
MEPC	54
Peachey	47
Oils	
Brit Petroleum	33
Britoil	28
Burmah Oil	52
Charterhall	7
Premier	10
Shell	136
Tricentrol	35
Ultramar	24
Mines	
Cons Gold	125
Lonrho	29
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Dec 7	Dec 17	Dec 18	Jan 4
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

*New time dealings may take place from 9.00 am two business days earlier.

Strong rally in equities maintained despite slower pre-Christmas trade

THE UK SECURITIES markets moved confidently towards the Christmas holidays yesterday, as the UK trade figures for November left undimmed the City's optimism over the progress of the domestic economy. With today bringing only a half-session, trading volume in both Gilts and equities began to fade after lunch yesterday. Oil shares remained active, although the market professionals were puzzled by the situation surrounding Britoil in the wake of the latest *statements from the City Take*over Panel and the UK Treasury.

The November deficits of £595m on the UK current account and of £1.19bn on the visible trade balance were above the range of City expectations and raised some worries that sterling could come under pressure if the trend continues. However, signs of renewed vigour in world oil prices continued to underpin the pound, despite its softer trend towards the close of trading yesterday when the dollar rallied on a favourable statement on currency policy from the G7 Ministers.

London share markets were also heartened towards the close by a firmer trend on Wall Street which followed economic comments from Washington.

After moving ahead steadily during the session, The FT-SE 100 (*Footsie*) Index closed a net 24 points up at 1771.4, to record its eighth daily gain out of the past nine trading sessions.

At last night's close, the Footsie Index had returned to the levels last seen at the end of the *first week of the shakeout suf*fered in mid-October–although this still represents a fall of 530 points from the levels just prior to Black Monday.

Oil shares again captured much of the institutional interest, as the City tried to guess whether BP would proceed with its offer for Britoil in the face of the Treasury's intention to oppose all bids by invoking its Golden Share in Britoil.

The whole of the oil sector was looking very firm as crude prices rallied, lending substance to predictions by some industry analysts that the tensions in the Gulf will help Opec's attempts to hold the line on pricing.

There was good demand for exporting company stocks as the dollar moved higher towards the end of the session. Traders commented that turnover levels in these stocks were surprisingly good for a pre-Christmas session.

Attention also focussed on the implications of Tuesday's failed dawn raid on Blue Circle Industries (BCI). The evident refusal of major investors to sell BCI stock to a generous bidder indicated an underlying bullishness in the market, according to some trading analysts.

Turnover in Government bonds was extremely thin, but prices held firm throughout. Disappointment with the UK trade figures appeared very slight, and had no discernible affect on prices. Bonds were helped by a significant technical factor. Gilt-edged deals, normally for cash settlement on the following day, were traded for settlement next Tuesday, December 29. Thus, yesterday's buyers hold the bonds for nearly one week, and prices are credited with the extra interest content.

Bonds were described as "a good market" despite the low trading volume. Gains were limited to 1/16 or so, with the shorts and Index-linked stocks gaining most benefit from the settlement attractions. The **Britoil** saga continued to overshadow all other developments in an extremely active oil sector.

Trading in the shares was briefly halted before the official opening of the market and subsequently raced up to 430p after news that the Takeover Panel had allowed the BP 450p a share bid to proceed. But around 11 am the market was thrown into another bout of confusion when the Treasury issued a statement reiterating its previous statement that it intends to use its special share in Britoil to prevent any bidder gaining control of the Britoil board.

The shares immediately went into a tail spin and dropped to 395p before staging a strong and rapid rally to close at 427p – a net rise of 15. The rally was said *to have been triggered by a fresh* bout of buying interest on behalf of Atlantic Richfield who announced that their stake in the company had been increased to 20.4 per cent. Salomon Bros. were again the main purchasers.

But the day's events did not deter traders from taking an optimistic view of Britoil. "BP are determined to get Britoil and ARCO are equally determined to stop them. This game is not up yet" said dealers. Talk in the market of a 500p a share knock-out blow persisted.

BP and the rest of the oil sector went higher, boosted by a recovery in oil prices. Brent crude for January delivery topped $17 a barrel before closing a net 45 cents up at $16.60 after a sharp decline in US crude oil stocks last week, according to the latest API statistics. BP "new" were finally unchanged at 71½p with the Kuwait Investment Office, which announced on Tuesday a 17.07 per cent stake in BP, again in the market. The KIO was thought to have picked up between a half to one per cent of BP; turnover was 72m shares. BP "old" put on 6 to 258p with more than 15m shares traded.

Recent adverse Press comment on the Bow Valley deal continued to restrain **British Gas**, which eased a penny to 129p after a turnover of 7.7m shares.

Other oils moved higher early in the day but were upset by the Treasury news on Britoil and eased back before edging higher again late. **Burmah** rose 10 to 450p on a broker's recommendation. **Enterprise**, where **LASMO** recently upped its stake to 25.35 per cent, were a fraction harder at 275p while LASMO, regarded as a prime target for RTZ in the New Year, edged up to 285p. **Sovereign Oil** added 7 more to 98p. **Century Oil** attracted persistent support on stories of a possible bid from Burmah and posted a gain of 3 to 190p. **Tricentrol** eased a couple of pence to 168p in the absence of any further takeover news.

Financial issues were outstanding performers and made rapid progress across a broad front led by the clearers, which spurted higher in response to stock shortages.

Lloyds took over from **NatWest** as the sector star and jumped 21 to 265p as a handful of buying orders uncovered numerous short positions. NatWest, still benefiting from a recent Wood Mackenzie recommendation, added a further 18 to 593p, and **Barclays** edged up 13 to 457p. **Midland Bank** were a like amount firmer after news that Hong Kong and Shanghai Bank had increased its stake in Midland to 14.99 per cent, or 81.4m shares; *Hanson* announced that its stake in Midland had been reduced from 6.17 per cent to 5.2 per cent.

Scottish banks were again well supported with **Bank of Scotland** 11 higher at 533p and **Royal Bank** 12 up at 363p. **TSB** were favourite of at least four brokers and edged up 3 to 115p.

Merchant banks drew strength from the overall market's recent strong showing and the numerous raids and bids of the past couple of weeks. **SG Warburg** featured with a 17 jump to 340p while **Kleinwort Benson** rose 13 to 340p and **Morgan Grenfell** 10 to 283p.

News that Woodchester has made a bid approach to Moorgate Mercantile – where it already has a 29.9 per cent stake – saw **Moorgate** shares leap 25 to 101p; **Woodchester** jumped 23 to 153p. Speculative support lifted **Provident Financial** 17 to 329p.

Life assurances were highlighted by **Legal and General**, which surged 20 to 294p amid bid rumours. **London and Manchester**also rose strongly to close 11 higher at 249p while **Sun Life** – a 1988 favourite of SBCI Savory Milln – added 13 at 928p. Persistent selling by securities house Hoare Govett left **Commercial Union** 5 off at 355p.

With the exception of **Allied Breweries**, up 7 at 349p in a volume of around 2.3m shares, Breweries passed a quiet trading session.

Blue Circle, sharply higher on Tuesday in the wake of an unsuccessful dawn raid, dipped to 415p at the outset as the prospective purchaser of a near 15 per cent stake refused to show *his hand. Later on, BCI rallied* strongly on thoughts that the potential buyer may abandon its dawn raid stance and make an outright bid for the company and the close was only 14 lower at 440p; marketmakers and analysts are still at a loss as to the name of the prospective buyer. Other Building Material issues gave modest ground as bid speculation in the sector subsided with **Rugby** easing a couple of pence to 241p and **Magnet** falling 5 to 213p. **Tarmac** attracted early demand and moved up to 242p, but subsequently drifted off to close unchanged at 239p. In the Construction sector, **Costain** gained 11 to 272p on talk of a broker's profits upgrading, while **George Wimpey**, still boosted by bid speculation, added 5 more to 244p. **Alfred McAlpine** found support at 428p, up 8, while **Wiggins** firmed 6 to 152p in reply to excellent half-year figures. **Travis and Arnold** rose 20 to 305p in a restricted market and **British Dredging** hardened 4 to 160p. **J. Jarvis** slipped to 625p prior to closing unchnaged at 650p in a limited market following acquisition news.

Amersham International *revived strongly on* takeover speculation and touched 460p pior to closing 16 higher at 446p.**ICI** added 3/16 to £11⅛ on currency influences, while **Sutcliffe Speakman**, still responding to the excellent results, gained 7 more to 126p. **Foseco** rose 7 to 234p on speculative buying fuelled by bid hopes.

Burton Group performed poorly in the retail sector, closing 5 off at 217p after a turnover of 6.2m shares following persistent selling by one security house. **Sears** put on 4½ to 138½p and **GUS "A"** ⅞ to £11⅛. **Harris Queensway** were 3 up at 122p amid speculation that the 23.39 per cent stake held by GUS could be up for sale.

Many of the leading electronics issues attracted good support. **Ferranti**, where turnover expanded rapidly from recent *levels* and topped 10m yesterday, rose 4 to 89p with Smith New Court said to have been aggressive buyers of the stock; a number of big trades in the shares were thought to have represented "bed and breakfast" deals. **British Telecom**, where 5.6m shares changed hands, hardened 2 to 227p, and **Plessey** and **GEC** the same amount to 154p and 167p respectively. **STC**, where Shearson Lehman were big buyers, picked up 6 to 240p. But **Racal** were upset by a Phillips and Drew UBS "sell" recommendation and settled 5 off at 235p.

Engineers closed with several noteworthy movements. **Glynwed**, a current favourite, with investment house Kleinwort Grieveson Securities (KGS), improved 14 to 458p. KGS have kept the stock among its top overall selections despite its premium rating and believe the shares should outperform over a 12 month period. **S.W. Wood**, reflecting the proposed sale of around two acres of freehold land at Neasden for approximately £2.1m, advanced 10 to 110p. **RHP** encountered further speculative support and rose 10 to 209p, while buyers continued to show interest in **ML Holdings** which closed 7 to the good at 127p.

Foods remained selectively firm. **Tate and Lyle** were outstanding and rose 34 to 786p partly reflecting reports of a badly handled buying order. Late support boosted **Ranks Hovis McDougall** 7 to 323p and **Rowntree** 10 to 457p. On the other hand, currency worries left **Cadbury Schweppes** 5 off at 244p, but **Dalgety** continued to make progress on bid hopes and rose 5 to 321p. **Hillsdown** added 3 more to 288p and **Northern Foods** hardened a penny to 269p. Retailers perked up with **Tesco** 4 better at 159p and **ASDA-MFI** a couple of pence dearer at 167p.Elsewhere, old takeover favourite **Bassett** gained 15 to 191p.

Grand Metropolitan continued to feature Hotels, rising 7 afresh to 463p in a market short of stock. **Norfolk Capital** added 3¼to 28¼p following Press comment.

The easier trend in sterling against the US dollar gave a modest boost to sentiment in international stocks. **Glaxo** partly reflecting the deal to market a version of its highly successfull Zantac anti-ulcer drug in the US via Sandoz, a leading Swiss pharmaceuticals company, advanced ⅜ to £10½. **BTR** rallied 5 to 271p. News of the agreement to sell Thames Board to the Swedish group Iggesund for a consideration of approximately £80m left **Unilever** 9 better at 508p.

Elsewhere in the miscellaneous industrial sector, **Christies International** advanced strongly in the wake of persistent bid speculation to close 34 higher at 428p. **British Aerospace**, helped by currency influences, edged up 3 to 353p, while **Amari** improved 6 to 137p on news that Suter had increased its stake in the company to just over 22 per cent. **Reuters B** were supported at 488p, up 10, following the announcement of the contract to supply Prudential-Bache Securities with 1,050 Reuter Equities 2000 terminals worldwide. The contract is worth $27.8m over four years. **A.J. Worthington**, still reflecting the bumper preliminary figures, improved 3 more to 48p, but **Plaston** reacted afresh to 74p, down 4, on the half-year less. **Parkfield** featured a rise of 14 at 314p on the announcement of contracts worth some £10m for the supply of cast iron segements for lining the Channel Tunnel and the new London docklands railway. Acquisition news failed to benefit **Expamet** which closed 6 cheaper at 174p, but **F.H. Tomkins** hardened a few pence to 222p on news that the company had received clearance from the New Zealand authorities to sell its 50 per cent stake in Fluid Control. **J. Michael** were a weak feature at 26, down 10, on news that Hillsdown Investment Trust has rescinded the agreement under which it was proposed to underwrite a rights issue on behalf of the company.

Associated Newspapers, scheduled to reveal preliminary figures shortly, met with further occasional demand and put on 6 to 453p.

Leading Properties showed little alteration following a slow trade but **Slough Estates** revived with a gain of 10 at 263p. Elsewhere, **Chesterfield** rose 35 to 583p on news that the company had purchased 25,000 shares at 580p per share.

Courtaulds remained a dull market, falling 6 more to 342p for a two-day loss of 19, sentiment still being affected by a broker's downgraded profits forecast. Among the occasional movements elsewhere in the Textile sector, buyers continued to show interest in **Gaskell Broadloom** which advanced 10 further to 190p.

Fund management groups came to the fore, interest being enlivened further by Bond Corporation's near-7 per cent stake in **M & G Group**, which firmed 5 further to 296p for a two-day rise of 36. Persistent demand left **Britannia Arrow** 20 higher at 119p while **Mercury Asset** advanced 15 to 315p and **GT Management** 13 to 148p.

Traded option activity was relatively good despite seasonal influences. Total contracts of 25,524 were made up of 15,540 calls and 9,984 puts. **BP** contributed 1,322 calls and 877 puts, while **Hanson** registered 2,264 calls. **GEC** calls totalled 1,614 and **Jaguar** calls amounted to 1,009. **Britoil** were lively with 160 calls and 2,996 puts registered. The **FTSE** contract attracted 532 calls and 877 puts.

Traditional Options

- **First dealings Dec 14**
- **Last dealings Dec 31**
- **Last declarations Mar 17**
- **For Settlement Mar 28**

For rate indications see end of London Share Service

Stocks to attract money for the call included **Eagle Trust, Brewmaker, Magnet and Southerns, Associated British Engineering, Bryant Holdings, J. Crowther, Morgan Grenfell, Applied Hollographics, British Petroleum new, Smiths Industries, Dares Estates, Ferranti, Britoil, Epicure and Bom Holdings.** No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Dec. 23	Dec. 22	Dec. 21	Dec. 18	Dec. 17	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	88.10	88.19	88.21	87.72	87.86	83.14	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.70	94.71	94.69	94.88	94.84	89.77	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1419.4	1408.9	1405.1	1377.8	1366.6	1301.2	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	304.4	301.1	305.6	313.8	319.0	299.6	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.39	4.44	4.46	4.55	4.60	4.41				
Earnings Yld. %(full)	10.98	11.11	11.17	11.38	11.53	10.46				
P/E Ratio (net)(*)	11.17	11.03	10.98	10.77	10.63	11.73				
SEAQ Bargains (5pm)	20,997	24,326	27,597	28,077	27,907	10,000				
Equity Turnover (£m)	-	1964.07	1466.28	1498.46	1386.27	675.13				
Equity Bargains	-	29,292	30,680	31,571	30,711	19,138				
Shares Traded (ml)	-	533.6	569.2	633.4	588.2	233.0				

S.E ACTIVITY

Indices	Dec. 22	Dec. 21
Gilt Edged Bargains	92.6	107.4
Equity Bargains	189.8	198.8
Equity Value	3969.9	2963.7
5-Day average		
Gilt Edged Bargains	110.4	110.9
Equity Bargains	191.9	185.1
Equity Value	2998.3	2661.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1411.1	1409.1	1411.4	1407.8	1409.0	1409.8	1415.6	1415.4

Day's High 1419.4 Day's low 1403.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=11.08.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (9).

BREWERS (1) Macllan-Glenlivet, HOTELS (1) Savoy "A", Blacks Leisure, INDUSTRIALS (1) Plaston Ind., PAPERS (1) Ferry Pickering, PROPERTY (1) New Cavendish, TRUSTS (1) Gartmore European, PLANTATIONS (1) Grand Central, MINES (2) Lydenburg, Jo'burg Cons.

NEW LOWS (10).

CANADIANS (1) American Lightwave, BANKS (1) Brown Shipley, STORES (1)

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 23 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tue Dec 22 Index No.	Mon Dec 21 Index No.	Fri Dec 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	727.77	+0.9	9.88	3.97	12.69	20.99	721.26	720.88	709.94	689.99
2	Building Materials (30)	972.06	....	10.14	3.87	12.26	27.46	971.66	935.98	925.66	855.55
3	Contracting, Construction (33)	1381.81	+1.5	9.58	3.62	13.86	34.99	1360.97	1349.39	1330.32	1176.83
4	Electricals (14)	2030.51	....	9.01	4.58	14.43	65.15	2030.07	2036.55	1980.10	1744.52
5	Electronics (33)	1531.15	+1.3	10.42	3.39	12.52	38.66	1510.98	1518.48	1491.44	1539.17
6	Mechanical Engineering (60)	368.75	+1.0	10.14	4.47	12.42	12.47	365.16	366.03	360.74	389.22
8	Metals and Metal Forming (7)	430.37	+0.5	9.82	3.90	12.29	12.87	428.41	438.29	433.17	350.64
9	Motors (14)	268.98	+1.3	11.18	4.32	10.41	7.46	265.62	268.74	260.48	266.88
10	Other Industrial Materials (23)	1228.39	+1.2	8.62	4.23	13.80	39.00	1214.38	1248.64	1236.57	1267.94
21	CONSUMER GROUP (182)	1039.81	+0.8	8.42	3.50	15.12	25.82	1031.33	1030.94	1015.80	944.78
22	Brewers and Distillers (21)	1000.14	+0.7	10.80	3.94	11.73	25.39	993.29	991.24	983.02	923.43
25	Food Manufacturing (23)	846.04	+0.8	9.11	3.81	14.08	23.39	838.98	835.27	828.39	731.30
26	Food Retailing (17)	2070.75	+0.6	7.71	2.93	17.22	47.36	2058.92	2083.34	2073.09	1852.83
27	Health and Household Products (10)	1786.35	+2.3	6.57	2.51	18.15	33.67	1746.97	1764.34	1739.92	1638.74
29	Leisure (29)	1146.12	+1.1	7.59	4.07	16.46	31.98	1134.07	1129.92	1107.26	974.29
31	Packaging & Paper (16)	505.89	+1.0	8.33	3.58	15.80	12.71	500.99	499.64	495.10	487.51
32	Publishing & Printing (15)	3347.10	+0.5	6.55	4.37	19.30	99.38	3329.35	3331.57	3275.30	2737.53
34	Stores (35)	859.05	+0.4	8.73	3.52	15.36	21.77	855.56	842.47	822.91	829.79
35	Textiles (16)	595.52	-2.3	11.04	3.95	10.43	17.67	609.62	622.95	596.53	558.38
40	OTHER GROUPS (87)	857.46	+1.0	10.76	4.31	11.55	27.29	848.64	852.63	837.51	818.35
41	Agencies (17)	1056.77	+1.2	6.62	2.27	19.30	17.38	1043.91	1047.81	1014.11	0.0
42	Chemicals (21)	1090.82	+2.0	9.39	4.29	13.07	33.69	1068.13	1076.32	1047.38	1013.51
43	Conglomerates (13)	1139.91	+0.8	10.42	4.58	11.01	39.30	1131.06	1127.56	1119.13	0.0
45	Shipping and Transport (11)	1732.33	-0.1	9.80	4.76	13.37	57.89	1734.16	1760.32	1739.17	1533.16
47	Telephone Networks (2)	891.62	+0.6	12.08	4.75	11.02	31.99	886.41	890.62	876.87	849.23
48	Miscellaneous (23)	1176.67	+1.4	13.06	4.05	9.11	35.16	1160.43	1165.88	1144.21	1112.18
49	INDUSTRIAL GROUP (483)	918.52	+0.9	9.43	3.84	13.35	25.45	910.32	911.19	896.94	854.90
51	Oil & Gas (17)	1715.06	+2.0	9.69	5.74	12.73	66.21	1681.78	1682.68	1613.89	1492.22
59	500 SHARE INDEX (500)	986.04	+1.1	9.47	4.12	13.26	28.96	975.70	976.58	957.68	908.86
61	FINANCIAL GROUP (121)	653.07	+2.2	-	4.81	-	22.43	639.23	636.09	622.25	609.97
62	Banks (8)	660.24	+4.0	20.05	5.95	6.59	26.94	634.66	625.13	613.48	676.68
65	Insurance (Life) (8)	963.11	+2.7	-	4.78	-	32.56	938.02	916.69	898.18	857.95
66	Insurance (Composite) (7)	518.99	+0.2	-	5.31	-	20.16	517.94	523.89	514.12	454.98
67	Insurance (Brokers) (8)	913.56	-0.3	12.15	6.29	10.53	40.26	916.43	928.78	906.15	1134.49
68	Merchant Banks (11)	351.11	+3.2	-	4.06	-	10.69	340.17	340.28	332.71	350.61
69	Property (49)	999.56	+0.8	5.26	3.07	24.26	22.75	991.34	995.80	965.22	883.47
70	Other Financial (30)	387.75	+2.4	9.37	4.08	13.49	12.01	378.67	377.06	369.47	362.22
71	Investment Trusts (87)	799.10	....	-	3.17	-	18.67	799.33	804.77	785.41	868.45
81	Mining Finance (2)	451.32	+1.3	10.07	3.78	11.18	12.77	445.62	429.94	426.25	337.62
91	Overseas Traders (20)	967.85	+1.9	9.35	5.17	12.56	37.00	948.82	948.33	924.57	768.48
99	ALL-SHARE INDEX (720)	895.48	+1.2	-	4.20	-	26.87	884.84	884.50	867.07	829.11

	Index No.	Day's Change	Day's High	Day's Low	Dec 22	Dec 21	Dec 18	Dec 17	Dec 16	Year ago
FT-SE 100 SHARE INDEX ♦	1771.4	+24.0	1771.4	1750.1	1747.4	1750.2	1717.0	1706.2	1689.8	1665.1

FIXED INTEREST

	PRICE INDICES	Wed Dec 23	Day's change %	Tue Dec 22	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.15	+0.04	123.10	-	11.06
2	5-15 years	137.76	+0.03	137.71	-	14.40
3	Over 15 years	145.53	+0.04	145.48	-	14.19
4	Irredeemables	159.97	-0.23	160.34	-	13.59
5	All stocks	135.17	+0.03	135.13	-	13.32
	Index-Linked					
6	5 years●	123.23	+0.18	123.00	-	2.92
7	Over 5 years●	115.65	+0.17	115.45	-	3.43
8	All stocks●	116.11	+0.17	115.91	-	3.37
9	Debentures & Loans	116.06	....	116.07	-	10.69
10	Preference	85.18	+0.21	85.01	-	6.24

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 23	Tue Dec 22	Year ago (approx.)
	British Government				
1	Low	5 years	8.83	8.85	9.83
2	Coupons	15 years	9.53	9.52	10.22
3		25 years	9.37	9.36	10.22
4	Medium	5 years	9.48	9.49	10.91
5	Coupons	15 years	9.71	9.71	10.52
6		25 years	9.63	9.61	10.26
7	High	5 years	9.57	9.57	10.97
8	Coupons	15 years	9.87	9.87	10.69
9		25 years	9.64	9.63	10.31
10	Irredeemables	†	9.29	9.28	10.07
	Index-Linked				
11	Inflation rate 5%	5yrs.●	3.01	3.07	3.90
12	Inflation rate 5%	Over 5 yrs.●	3.95	3.96	3.85
13	Inflation rate 10%	5 yrs.●	3.41	3.47	2.36
14	Inflation rate 10%	Over 5 yrs.●	4.03	4.04	3.68
15	Debs &	5 years	10.96	10.96	11.63
16	Loans	15 years	11.05	11.04	11.39
17		25 years	11.10	11.10	11.39
18	Preference	†	10.64	10.67	11.06

♦Opening index 1754.6; 10 am 1755.9; 11 am 1759.3; Noon 1755.3; 1 pm 1756.8; 2 pm 1759.2; 3 pm 1767.5; 3.30 pm 1766.4; 4 pm 1766.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,800	Enterprise Oil	1,800	Prudential	549
Allied-Lyons	2,300	Fisons	1,400	Racal	3,200
Amstrad	2,700	Gen. Accident	279	Rank Org.	862
Argyll Group	3,100	Gen. Elect	5,400	RMC	146
Assoc. Brit. Foods	146	Glaxo	2,800	RHM	323
BAA	567	Globe Investment	5,300	Reckitt & Col.	279
BAT	1,200	Granada	1,9000	Redland	365
BET	406	Grand Met	1,600	Reed Intl.	609
BICC	825	GUS A	498	Reuters	774
BOC	467	Guardian R.E.	386	RTZ	2,100
BPB Inds	1,500	GKN	913	Rolls-Royce	4,300
BTR	2,900	Guinness	1,600	Rothmans	75
Barclays	3,200	Hammerson	401	Rowntree	136
Bass	365	Hanson Trust	7,100	Ryl Bank Scotland	2,000
Beecham	1,600	Hawker Sidd	492	Royal Insurance	1,000
Blue Arrow	1,900	Hillsdown Hldgs	1,600	STC	2,800
Blue Circle	5,100	IMI	338	Saatchi & Saatchi	925
Boots	2,800	ICI	2,000	Sainsbury	257
Brit. Airways	800	Jaguar	4,100	Scott & Newcastle	342
Brit. Aero	903	Ladbroke	836	Sears	2,500
Brit. & Comm.	322	Land Securities	377	Sedgwick	451
British Gas	4,100	Laporte	54	Shell Trans	1,500
Britoil	19,000	Legal & Gen.	2,900	Smith & Nephew	1,500
BP	15,000	Lloyds Bank	2,800	Standard Chart.	463
Brit. Telecom	5,600	LASMO	1,200	Storehouse	1,300
Bunzl	1,000	Lonrho	1,225	Sun Alliance	87
Burmah Oil	165	Lucas	854	T & N	41
Burton	6,200	MEPC	507	TSB	2,600
Cable & Wire	3,800	Marks & Spencer	2,200	Tarmac	724
Cadbury Schwps	2,500	Maxwell Comms.	675	Tesco	2,800
Coats Viyella	1,500	Metal Box	1,600	Thorn EMI	1,200
Comm. Union	1,400	Midland Bank	1,600	Trafalgar House	4,000
Cons. Gold	255	NatWest Bank	964	T'Hose Forte	2,300
Cookson	433	Next	822	Ultramar	981
Courtaulds	470	Northern Foods	1,000	Unilever	821
Dalgety	487	Pearson	483	United Biscuits	811
Dee Corpn	2,800	Pearl Assurance	783	Wellcome	579
Dixons Group	1,000	P & O	723	Whitbread A	733
English China Clays	134	Pilkington Bros	1,300	Woolworth	1,400
		Plessey	730		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	57	42
Corporations, Dominion and Foreign Bonds	4	13	35
Industrials	524	258	785
Financial and Properties	196	104	338
Oils	41	11	59
Plantations	3	3	8
Mines	56	25	118
Others	70	76	103
Totals	911	547	1488

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

BELGIUM/LUXEMBOURG | ITALY | NORWAY | SWITZERLAND

DENMARK | SPAIN | SOUTH AFRICA

FINLAND | GERMANY | NETHERLANDS | SWEDEN

JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

Iwatsu Electric	887	-14
JAL	13,500	-180
J E O L	1,060	+30
Japan Radio	1,350	+50
Japan Steel Wks	361	
Jap S Battery	443	-1
Japan Synth Rbr	959	+28
Jusco	1,570	-10

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO
Closing prices December 23

Sales	Stock	High	Low	Close	Chng
580	Vestgron	300	270	300	+50
1600	Vulcan Ind	195	195	195	
4400	Wajax A	$10⅝	10⅝	10⅝	
77814	Wcoast T	$16⅞	16½	16⅞	+⅝
1100	Westmin	$6½	6⅜	6⅜	
790	Weston	$32	31¾	31¾	−¼
25084	Woodwd A	490	475	475	−15

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices December 23

Sales	Stock	High	Low	Close	Chng
31173	Bank Mont	$27⅝	26⅞	27	−⅛
4300	BombrdrA	$07½	07¼	07¼	−⅛
85150	BombrdrB	$07½	07¼	07½	+¼
7900	CB Pak	$14⅞	14⅛	14⅞	+⅛
20200	Cascades	$08½	08¼	08½	+¼
2800	CIL	$27½	27⅜	27½	+½
9001	ConBath	$18½	18⅜	18½	+⅜
5822	DomTxtA	$17⅞	17½	17⅞	+¼
4720	MntTrst	$12½	12¼	12⅜	
37064	NatBk Cda	$11¼	11	11⅛	+⅛
17055	Noverco	$11½	11⅛	11½	+¼
67100	Power Corp	$14⅞	14⅜	14¾	+⅜
13418	Provigo	$07⅞	07⅝	07⅞	+⅛
8500	Repap Entr	$13	12⅞	12⅞	
2000	RollandA	$10⅝	10⅝	10⅝	+⅛
400	RollandB	$17	17	17	−3
21880	Royal Bank	$28¾	28¼	28¾	+⅜
405	SteinbrgA	$27½	27½	27½	−¼
15725	Videotron	$09½	09⅜	09¼	+1

Total Sales 3,242,172 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 29

Stock		Sales (Hnds)	High	Low	Last	Chng
Quixote		358	5½	5⅛	5⅛	−⅜
RPM	.56	10 582	15	14¾	15	
RadSys.05e		17 588	8¾	8½	8⅝	
Reeves		10 716	7½	7⅜	7⅝	
RgcyCr		5 1584	1 7-16	1⅜	1 7-16	
RgcyEl	.20	25 907	3⅞	3⅝	3⅞	+⅛
Regina		17 239	16½	14¼	15½	+1
ReglBc	.08e	7 107	13½	12⅞	12⅞	
Repign		288	8½	8	8¼	
RepAm	.24	10 325	13⅛	13	13	
ReutrH	.09e	3671	54	52¾	53⅞	+1
SlmAir		10 149	7¾	7⅝	7½	−⅛
Sizler		18 585	17	16	16½	+½
SmthF		12 685	25½	21¼	25	+1¾
Society	1.20	9 328	34	33	33½	+½
SoctySv	.36	5 374	14¼	13½	13¾	−½
SoftwA		13 77	10	9¾	9⅞	−⅛
SftwPb		12 1073	8½	7⅞	8½	+½
SonocPs	.52	15 2123	22	21¼	21¾	
Sonora		120	6⅞	6⅝	6⅝	−⅛
SCarNt	.50	9 165	19	18¾	19	+¼
Soutst		78 782	13½	13	13¼	
SohldSv		1418	16¾	16	16	−¾
Soutrst	.80	7 283	18	17⅞	17⅞	
USTs	.32	11 83	21¾	18¾	21	+¾
UTL		10 332	7½	7	7	
Ungmn		24 2632	8⅝	7⅞	8	
Unifi		10 1294	16⅞	16	16⅞	+¾
UnPlntr	.60	57 367	22½	22	22	−½
UnSplC		17 18	21	20½	21	+¼
UACm	.04	186 70	22¾	22⅛	22½	
UBCol	.64j	25 496	14½	14¼	14¼	−¼
UnCosF	.55	7 18	17¼	16¾	17¼	
UHltCr		1017	3¾	3½	3½	−⅛
UtdSvs	.72	3 283	12¼	11½	12	−¼
Wyman	.80	241	14¼	13½	13¾	+¼
Wyse		13 3189	21⅞	21¼	21⅞	+⅝
XOMA		2814	12⅛	11	11⅞	+½
Xicor		116 879	8⅛	7¾	8⅛	+¼
Xidex		5818	6¼	6	6⅛	−⅛
Xylogic		12 287	12¼	11¼	12	+¼
Xyvsn		17 517	7	6¼	6½	+¼
YlowFs	.52	21 718	28⅜	28⅛	28¼	−⅛
ZionUt	1.44	21	23¾	23	23	−¾
Zondvn		244	10	9¾	9¾	
Zycad		625	3¾	3½	3⅝	+⅛

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Amersham Intl.	446	+	16
Barclays	463	+	19
Britannia Arrow	119	+	20
Britoil	427	+	15
Christies Intl.	428	+	34
Costain Group	272	+	11
FR Group	284	+	16
Legal & General	292½	+	18½
Lloyds	351	+	17
Lon. & Manchester	250	+	12
Midland	391	+	16
Nat West	594	+	19
Parkfield Group	314	+	14
Provident Financial	339	+	17
Reuters B	498	+	20
Rowntree	457	+	10
Sovereign Oil	98	+	7
Tate & Lyle	786	+	34
Wood (S.W.) Group	110	+	10
Woodchester Invs.	153	+	23

FALLS

Blue Circle	440	−	14

TOKYO – Most Active Stocks

Wednesday December 23 1987

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	17.46m	399	+1
Japan Synthetic Rubber	15.82m	959	+28
Showa Line	6.75m	334	-11
Kawasaki Steel	6.56m	342	-3
Matsushita Elec Ind	6.15m	2,220	+40
Hitachi Ltd	5.69m	1,200	-
Toshiba	5.58m	614	+4
Ishikawajima-Harima Heavy Ind	4.92m	652	-10
Jusco	4.25m	1,570	-10
Nippon Kokan	4.11m	296	-4

Indices

NEW YORK — DOW JONES

	Dec. 22	Dec. 21	Dec. 18	Dec. 17	1987 High	1987 Low	Since compilation High	Since compilation Low
◆Industrials	1978.45	1990.38	1975.30	1924.40	2722.42 (25/8)	1738.42 (19/10)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	86.08	86.19	86.22	86.25	95.51 (9/2)	81.26 (19/10)	–	–
Transport	770.43	767.86	767.29	748.86	1101.16 (14/8)	661.00 (4/12)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	176.74	176.92	178.05	174.67	227.83 (22/1)	160.98 (19/10)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 1999.67 (2008.45) Low 1949.27 (1959.55)

	Dec. 22	Dec. 21	Dec. 18	Dec. 17	1987 High	1987 Low	Since compilation High	Since compilation Low
STANDARD AND POOR'S Composite ‡	249.95	249.54	249.16	242.98	336.77 (25/8)	223.92 (4/12)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	289.04	288.23	287.56	280.38	393.17 (25/8)	255.43 (4/12)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.6	21.74	21.78	20.92	32.43 (25/8)	20.39 (7/12)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	139.44	139.49	139.15	136.02	187.99 (25/8)	125.91 (4/12)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	256.55	256.75	254.87	251.18	365.01 (13/8)	231.90 (4/12)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	327.30	328.67	326.41	319.15	455.28 (26/8)	291.90 (28/10)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec. 18	Dec. 11	Dec. 4	year ago (approx.)
Dow Industrial Div. Yield	3.50	3.69	3.88	3.59

	Dec. 16	Dec. 9	Dec. 2	year ago (approx.)
S & P Industrial div. yield	15.88	3.24	3.86	2.94
S & P P/E ratio	3.13	15.25	14.73	17.99

TRADING ACTIVITY † Volume

Millions	Dec. 22	Dec. 21	Dec. 18
New York	194.121	162.353	278.498
Amex	14.260	13.070	16.210
OTC	149.081	142.827	149.040

NEW YORK	Dec. 22	Dec. 21	Dec. 18
Issues Traded	1,974	1,997	1,979
Rises	647	929	1,286
Falls	929	716	383
Unchanged	398	352	310
New Highs	9	10	6
New Lows	34	33	41

CANADA

TORONTO	Dec. 22	Dec. 21	Dec. 18	Dec. 17	1987 High	1987 Low
Metals & Minerals	2707.2	2735.3	2669.8	2578.7	3907.5 (5/10)	1988.2 (2/1)
Composite	3156.6	3170.0	3157.4	3113.2	4112.9 (13/8)	2843.9 (10/11)
MONTREAL Portfolio	1604.43	1611.99	1603.85	1570.86	2224.77 (16/7)	1435.94 (26/10)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Sthn Cal Edison	7,999,100	30⅝	–
Carolina Power	5,205,100	32½	− ⅜
General Electric	2,388,800	47⅝	+ ⅞
Texaco	2,232,700	37⅞	+ ⅛
Phillips Pet	2,027,400	11	+ ⅛
Brit Pete	1,997,500	15⅜	− ⅛
Chevron	1,546,800	38⅝	− ⅛
Pacific Telesis wi	1,544,300	27½	− ⅜
AT&T	1,466,900	28⅜	− ⅜
Bankers Tst NY	1,444,100	31⅛	–

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Dec. 23	Dec. 22	Dec. 21	Dec. 18	1987 High	1987 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1287.5	1267.8	1250.3	1239.7	2305.9 (21/9)	1151.0 (11/11)
All Mining (1/1/80)	774.3	755.6	745.2	744.1	1462.4 (14/10)	586.9 (11/11)
AUSTRIA						
Credit Aktien (30/12/84)	180.35	180.46	181.51	180.55	238.39 (22/4)	172.01 (11/11)
BELGIUM						
Brussels SE (1/1/80)	3579.3	3542.3	(u)	3505.8	5412.2 (13/8)	3503.8 (18/12)
DENMARK						
Copenhagen SE (3/1/83)	(u)	183.89	184.33	184.36	219.76 (27/8)	179.60 (20/11)
FINLAND						
Unitas General (1975)	543.7	543.8	542.7	545.2	679.1 (15/10)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	289.7	285.1	287.2	281.7	460.4 (26/3)	270.3 (11/12)
Ind. Tendance (31/12/86)	79.8	73.7	74.5	71.6	117.2 (26/3)	69.6 (10/12)
GERMANY						
FAZ Aktien (31/12/58)	439.51	440.89	439.10	432.96	676.84 (6/1)	400.13 (10/11)
Commerzbank (1/12/53)	1349.6	1352.6	1343.9	1329.3	2061.1 (17/8)	1220.9 (10/11)
HONG KONG						
Hang Seng Bank (31/7/64)	2325.55	2276.41	2278.13	2180.46	3949.73 (1/10)	1894.94 (7/12)
ITALY						
Banca Com. Ital. (1972)	504.97	502.00	500.21	504.36	767.34 (30/4)	476.27 (10/11)
JAPAN **						
Nikkei (16/5/49)	22693.85	22741.02	22956.84	22826.97	26646.43 (14/10)	18544.00 (13/1)
Tokyo SE New (4/1/68)	1819.23	1825.46	1840.44	1833.48	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP-CBS General (1970)	214.0	213.3	212.7	(u)	334.1 (14/8)	192.2 (10/11)
ANP-CBS Industrial (1970)	162.9	162.4	161.5	(u)	280.8 (11/8)	147.5 (10/11)
NORWAY						
Oslo SE (4/1/83)	339.93	330.01	334.09	326.41	592.04 (21/9)	307.48 (10/11)
SINGAPORE						
Straits Times Ind. (30/12/66)	833.1	823.4	807.9	773.1	1505.4 (28/8)	700.4 (7/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	(u)	1762.8	1706.0	2499.0 (3/8)	1448.0 (5/11)
JSE Industrial (28/9/78)	(u)	(u)	1426.0	1425.0	2266.0 (16/10)	1402.0 (23/11)
SPAIN						
Madrid SE (30/12/85)	234.20	233.74	233.27	227.37	325.44 (6/10)	201.08 (4/12)
SWEDEN						
Jacobson & P. (31/12/56)	2214.60	2211.80	2215.10	2187.66	3550.40 (9/10)	2068.60 (10/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	486.1	481.3	477.6	471.3	729.7 (5/10)	450.9 (10/11)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	410.7	411.6	409.3	495.9 (27/8)	361.5 (2/1)

** Saturday December 12: Japan Nikkei (c) ; TSE (c).

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed.(u) Unavailable.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.8	17	1134	19⅞	18¾	19¾	+1
32½	19	AFG s	.16	.6	10	645	29	27⅞	28½	+⅝
27	10½	AGS s			15	390	18	16¾	17⅜	+¾
9⅜	3¼	AM Intl			37	2278	5⅛	4¾	5⅛	+⅜
65½	26¾	AMR			11	3824	37⅞	36⅞	37⅜	−½
12¼	6⅜	ARX s			7	337	7⅜	7	7¼	−⅛
73½	35⅛	ASA	2a	4.0		267	50½	49¾	50	−⅜
22⅜	9½	AVX			19	344	15⅛	14⅜	15	+½
67	40	AbtLab	1	2.1	18	3223	48¼	46¾	48¼	+1⅝
28	15⅜	Abitibi g				113	20½	20⅜	20½	+¼
16¾	8½	AcmeC .40		3.4	16	102	12⅛	11⅛	11⅝	+⅜
10½	6⅛	AcmeE .32b		4.6	24	24	7	7	7	+⅛
20	14⅛	AdaEx 3.44e		23.		343	15⅛	14⅝	14¾	−⅜
18½	6⅞	AdamM .24		2.6	7	17	9⅜	9¼	9¼	
35	16⅞	AdvSys			14	860	31½	29⅝	31½	+1⅝
24⅞	7½	AMD				5237	10½	10	10⅜	+⅛
58¾	29¼	AMD pf	3	9.5		266	32¼	31½	31½	−½
11⅞	4⅝	Adobe				589	5½	5	5⅜	+⅜
20½	15½	Adob pf 1.84		11.		4	16¾	16¾	16¾	−¼
21⅞	17	Adob pf 2.40		12.		28	20	19⅜	20	+½
15	6⅞	Advest .12a		1.6	6	720	7⅜	7	7⅜	+⅛
68¼	43¾	AetnLf 2.76		6.1	6	2982	45½	44¾	45½	+½
83½	34¾	AfilPb s .40		.8	6	410	53	51¾	52¼	+⅞
26⅞	13	Ahmans .88		5.8	7	5680	15¾	15	15⅝	+⅛
5⅜	1¾	Aileen				118	2⅛	2	2	
53⅞	29	AirPrd	1	2.4	15	1395	41½	40⅝	41¼	+⅞
36	11⅛	AirbFrt .60		4.2	9	309	14¼	14	14⅛	
16½	6¾	Airgas			15	236	10¾	10⅜	10½	

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
33¾	25½	SAntRR2.04		7.4		110	27⅝	27⅛	27⅝	+⅛
22¼	16¼	SFeEP 2.88		17.	68	189	17	16⅝	16⅞	
65	25⅜	SFeSoP 1		2.0	1225	5496	49⅝	47¾	49	−⅛
49⅞	25½	SaraLee .80		3.3	15	1633	38	35½	38¼	+1⅛
19¾	14¼	SaulRE .20		1.1	45	6	17¾	17½	17½	
22	14⅝	SavEP 1		4.7	11	218	21⅜	21	21⅜	+½
14¼	11⅝	SavE pf1.28		10.		1	12⅝	12⅝	12⅝	+⅛
3	¼	Savin				2435	5-16	9-32	5-16	
5⅜	⅞	Savin pf				104	⅞	d13-16	⅞	
40	25½	SCANA 2.32		8.0	9	1293	29⅛	28⅞	29	+⅛
9⅜	5⅜	Schwr .31e		4.8		x271	6⅝	6½	6½	−⅛
27⅞	11⅛	UDC	2.20	15.	5	318	14⅝	14¼	14½	−⅛
32	21¾	UGI	2.04	7.8	11	98	26⅜	26⅛	26¼	+⅛
13¼	4½	UNCInc .01e		.1	10	867	7	6⅝	6⅞	+⅛
31⅞	15⅜	UNUM .20e		1.6		3030	18⅝	18⅛	18⅝	+⅞
58¼	52½	Xerox pf5.45		10.		28	53	52⅞	53	+⅛
31½	18⅛	XTRA .64		2.9	14	49	22	21½	22	+¼
25¼	19½	XTRA pf1.94		9.1		7	21⅞	21¼	21⅛	−¼
33⅞	15¼	Yorkin			70	161	24⅝	23⅝	24½	+¼
7⅛	2¼	Zapata				2546	2⅝	2½	2½	
37	13⅛	Zayre .40		2.6	8	3768	15⅜	14⅞	15⅛	−⅛
16⅛	9	Zemex .40		4.6	8	32	9⅛	d	8¾	8⅞
33⅝	10	ZenithE				1873	15⅞	15¼	15⅝	+¼
13½	2⅝	ZenLab				3103	3⅜	3	3¼	+¼
26½	13½	ZenNtl .80		5.3	7	528	15⅜	14⅞	15⅛	
20⅝	11⅝	Zero .36		2.3	16	340	16¼	15¼	16	+¾
30¾	15	Zurnin s .88		3.6	12	453	19¼	18½	18⅞	+½
10⅝	7⅝	Zweig .92e		10.		607	9	8⅞	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hhds)	High	Low	Last	Chng
[illegible]					

Continued on Page 27

AMERICA

G7 statement prompts rise in bonds, stocks

Wall Street

US BONDS and equities moved higher yesterday, apparently partly in response to the widely anticipated statement by the Group of Seven leading industrial nations reconfirming their February Louvre accord, *writes Janet Bush in New York.*

The statement offered no new policy measures and only a restatement of the G7 position towards stabilising exchange rates, often repeated this year and just as often undermined by actual events on currency markets.

The dollar predictably bounced after the statement was published, reaching a high in early London trading of Y127.15 and DM1.6450. However, by the New York opening the US currency was drifting lower once again in very dull pre-Christmas business. In late trading it was quoted at Y126.75 and DM1.6365.

The Dow Jones Industrial Average closed 27.18 points higher at 2,005.64, the first time the index has closed above the 2,000 level since November 2 which will be regarded as a positive sign for the long-term health of the market.

Dealers said stock index futures activity was one factor helping the cash market as the futures were trading yesterday morning at a sharp premium to cash indices. There was also some buying interest in anticipation of the traditional market rally in January.

However, it is dangerous to try to discern any longer-run trend in a pre-holiday market. The Dow index has been bouncing around with little direction for weeks now, a typical pattern when the market is in a consolidation phase.

The US Treasury bond market shrugged off sharply higher crude oil futures prices yesterday and rose strongly in thin pre-Christmas activity. On the New York Mercantile Exchange, the February crude oil futures contract was quoted at $16.99 a barrel, up 38 cents from Tuesday's settlement. Some bond traders appear to see the current recovery in oil prices as a technical correction after very sharp falls since the meeting of the Organisation of Petroleum Exporting Countries.

The Treasury's benchmark 8.875 per cent 30-year issue was quoted nearly 1½ points higher at mid-session and its yield dropped back below 9 per cent again. The closing yield was 8.9 per cent. The long-end of the market far outperformed shorter maturities which were only about a ¼ point higher.

It appeared that the very sharp price movements in longer maturities, albeit obviously in reaction to the G7 statement, were exaggerated by the thinness of volume.

On the equity market, blue chips performed well. International Business Machines closed up $1¼ at $119½, Eastman Kodak, which on Tuesday announced a joint venture with Matsushita of Japan to produce batteries, was $⅝ higher at $50¼ and Proctor and Gamble gained $1⅝ to $87¾.

Oil stocks were generally higher but did not appear to have outperformed the rest of the market despite firmer crude oil prices. Exxon was $½ higher at $40¾, Amoco put on $1⅛ to $68½ and Chevron was $1⅛ higher at $39¼.

Merrill Lynch and Prudential Bache yesterday said they had settled a suit in connection with the Hunt Brothers' silver case. Merrill, whose share price rose $⅛ to $22, said it had decided to settle to avoid the expense involved in an extended legal battle.

Industrial stocks, which had stood to gain in competitiveness terms from a lower dollar, underperformed the broader market yesterday. Merck, which has been a weak performer recently, put on $¼ to $161 while Caterpillar managed a $⅝ gain to $62½.

Canada

TORONTO STOCKS, led by blue chip, energy and metals, rose strongly because of higher oil and base metal prices, analysts said.

The composite index, which fell 13.50 on Tuesday, closed 43.50 higher at 3200.20 on volume of 24.6m shares. Advances led declines 596 to 222.

Among base metal miners, Noranda gained C$⅜ at C$26¾, Inco was up C$1 at C$29. Falconbridge, which began discussions with the Dominican Republic over a duty that has halted ferro-nickel shipments, closed at C$24¾, up C$½.

SOUTH AFRICA

STEADINESS in the bullion price helped Johannesburg gold share prices to end firmer in subdued and uncertain year-end trading.

Heavyweight gold issue Vaal Reefs ended R10 higher at R345 and Elsburg 25 cents up at R11. Libanon edged 10 cents higher to R12.90.

Mining financials, however, showed some softness with Anglo American losing 50 cents to R56.25 rand after having earlier touched R56.

Platinums and diamonds mirrored golds but closed off their highs. Rustplat moved up 25 cents to R30 while De Beers crept 10 cents higher to R30.10, but were slightly off earlier highs.

Other minings and industrials were mostly unchanged.

This Christmas will be leaner than last for City of London professionals, writes Terry Byland

With the bull gone, it's cold turkey

THE CITY of London's long-established reputation for smiling, albeit grimly, in the face of adversity, has been fully tested this Christmas. After nine fat months, during which the new-style all-singing, all-dancing Big Bang electronic market had delivered the greatest bull market of recent times, the lights were suddenly extinguished on Black Monday, October 19.

With their traditional resilience, the traders, who have already forgotten the Stock Exchange trading floor, which in former days provided the setting for many a Christmas jape, have begun to smile again this week, following seven days of upwardly mobile equity prices. But the smiles do not hide the awareness that the New Year could bring more bad news for City workers.

Some of the pain has already been inflicted, in the form of drastic straff cutbacks. Many of the big names, which expanded their trading operations dramatically in Autumn 1986, as Big Bang hove in sight, have drawn in their horns in the face of the trading losses suffered in the final quarter of this year. One major US securities house is still living down its crassness in summoning by name over the office public address system those employees chosen for the chop.

Barclays de Zoete Wedd dealer: less than festive

The swiftness of the cutbacks was an indication of the sea change which has come over the London market since Big Bang turned up the switch marked "competition". With eight, 10 or a dozen marketmakers struggling to make a living out of one blue chip stock formerly covered by two or three, and the total of marketmakers in UK Government bonds upped from three to 20-odd, it was clear that there must be casualties once trading volumes turned decidely down.

Christmas bonuses have begun to look like relics from the Dickensian past. Most trading firms will pay a "small" bonus for the final quarter of the year, but there is no doubt that the 100 per cent bonuses associated with Yuppiedom have vanished into the mist of memory.

The impact on average earnings can only be visualised in terms of the "remuneration packages" scattered about so freely a year ago. The head man on an equity trading desk could expect a salary of £100,000 – plus a 100 per cent bonus. His second in command would expect at least £50,000 - plus a 100 per cent bonus.

It was the bonuses on these kinds of salary levels which helped propel houses prices in London and south east England into the stratosphere.

The damage is not, however, quite as bad as it appears. Bonuses are often paid half yearly, and, with world securities markets still riding high until September, interim bonuses from London-based firms have been generous.

However, bonuses are not the chief cause of worry in the City of London this Christmas.

The UK securities traders are acutely aware of the cold wind blowing from New York, where Manufacturers Hanover has already led the way in what appears to be a fresh shakeout among the financial institutions. With turnover in the London market still unimpressive, the local traders will chew their Christmas dinners in pensive mood this year.

ASIA

Fund selling spreads weakness

Tokyo

CONTINUED pension fund selling disheartened investors in Tokyo yesterday leaving the equity market weak throughout the session, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average finished 47.17 down at 22,693.85 after tumbling about 116 at the morning close, on tiny volume of 372.62m shares, down from the previous day's 403.98m shares. Declines outnumbered advances by 548 to 327, with 152 issues unchanged.

Matsushita Electric Industrial and other high-tech stocks were relatively firm on buying by an investment trust and other institutional investors, while some equipment investment-linked issues were favoured.

Investors showed a cooler response than expected to the signing of a package designed to trim the US Federal budget deficit and a statement issued by the finance ministers and central bankers of the Group of Seven aimed at currency stabilisation. The view among big securities companies was that these factors were not enough to bolster buying interest.

The continued sale of stocks by pension funds via trust banks helped pull down the market. The sales are aimed primarily at writing off losses on foreign bond investments due to the yen's end-of-month strength.

Among the best performers were high-priced high-technology issues. Their strength was owed largely to buy orders in lots of 500,000 shares issued by an investment trust and other institutions in afternoon trading.

Matsushita Electric Industrial surged Y40 to Y2,220 on the fifth biggest volume of 6.15m shares and NEC Y30 to Y1,980.

Of the gainers in the equipment investment sector, Fanuc climbed Y150 to Y5,570 on small-lot buying, TDK Y140 to Y4,890, Pioneer Electronic Y120 to Y2,780 and Yaskawa Electric Y21 to Y562.

Smaller-capital stocks were sought individually: Japan Synthetic Rubber, second busiest with 15.82m shares, rose Y28 to Y959 on continued interest in its development of a paper-thin cell. Rumours that the company has developed an Aids diagnostic drug also helped the stock.

Paper-pulps drew speculative buying on expectations of the redenomination of the Japanese currency, with Oji Paper strengthening Y30 to Y1,140 and Jujo Paper Y15 to Y675.

Large-capitalisation stocks remained out of favour. Nippon Steel, the most active stock with 17.46m shares, rose Y1 to Y395, while Kawasaki Steel shed Y3 to Y342 and Ishikawajima-Harima Heavy Industries Y10 to Y652. Of smaller steels, Tokyo Steel jumped Y160 to Y3,370.

Elsewhere, Tokyo Electric Power slumped Y70 to Y5,720 and Mitsui Real Estate Development Y40 to Y1,610.

Ohbayashi, a major contractor, fell Y37 to Y935, on news that the US Congress had approved an amendment calling for shutting Japanese contractors out of the American market for public works projects.

Jusco, a main gainer the previous day, turned down Y10 to Y1,570 and Showa Line Y11 to Y334.

Despite the absence of fresh market-moving incentives, bonds sprinted ahead in speculative dealings.

Australia

SUSTAINED demand for mining and selected industrial issues forged a further advance in Sydney share prices as foreign buyers returned to the market. The All Ordinaries index ended 20.4 higher at 1,288.2.

Base metal mining stocks made best headway on strong commodity price gains. CRA ended on the day's high of A$6.52, up 32 cents, while Bougainville was 25 cents higher at A$4.10. MIM climbed 12 cents to A$2.07 and Ashton leapt 22 cents to A$1.52.

BHP rose 28 cents to A$6.92 in tandem with an advance in crude oil prices, while WMC added 12 cents to A$6.04.

Industrials saw News Corp complete a gain over the week of A$1.50 with a 60 cent rise to A$11.30.

Singapore

SMALL local investors continued to support Singapore share prices as bargain hunting pushed the market to an eighth successive rise. The Straits Times industrial index was 9.66 up at 838.15.

Retailers sparkled, with Isetan 28 cents to the good at S$4.62 and Metro 20 cents higher at S$5.30. Robinson made up 15 cents to S$2.18.

Malayan Credit was the busiest issue, rising 4 cents to S$1.29 in trade of 2.6m shares. Overall volume was 32.8m shares against 32.1 the previous session.

Hong Kong

A RESURGENCE in overseas buying lifted Hong Kong share prices modestly higher in quiet trade. The Hang Seng index ended 49.14 up at 2,325.55.

Properties starred among good performances by all blue chips. Sun Hung Kai added 25 cents to HK$8.90 and Hongkong Land 10 cents to HK$7.50. Cheung Kong was up 10 cents at HK$6.90.

Swire Group also drew particular attention, with its "A" stock advancing 60 cents to HK$15.20. Banks all advanced, Bank of East Asia by 40 cents to HK$18.20.

EUROPE

Slight advances continue as trade peters out

EUROPEAN bourses ended the year with a whimper, rising slightly in meagre trade. The G7 statement on economic policy co-operation left most markets unimpressed.

ZURICH made a slight gain on the steadier dollar in moderate trade.

Most blue chips followed the stronger trend. Insurers Swiss Re and Zurich were SFr50 and SFr35 higher, repectively, at SFr12,550 and SFr5,410. In banks Union Bank and Credit Suisse were each SFr20 stronger at SFr3,100 and SFr2,470 in turn, while Swiss Bank added just SFr4 to SFr357.

Industrials were patchy. Sandoz lost SFR100 to SFr12,400 and Oerlikon-Buehrle shed SFr15 to SFr935. Brown Boveri held at SFr1,720, while Ciba-Geigy managed a SFr130 advance to SFr2,750.

FRANKFURT took no lead from the G7 statement on economic co-operation and closed mixed in very thin trade. The Commerzbank index, measured midsession, fell 3 to 1,349.6.

There were few corporate signals to help the market and BASF edged only 80 pfg higher to DM253.30 after announcing its C$500m purchase of Polysar's latex division assets. Elsewhere in chemicals Bayer rose DM3.70 to DM275.80 and Hoechst DM2.20 to DM263.90.

Banks generally firmed, Deutsche by DM1.40 to DM412.90 and Dresdner by DM1 to DM238.50. Commerzbank was also DM1 higher at DM226.

Cars, though, missed a gear as Daimler fell DM6.50 to DM609 and VW fell DM1.50 to DM234 as investors grew uneasy over the outlook for the dollar. BMW was the exception with a DM3 rise to DM480.

Elsewhere, Siemens edged a minuscule 40 pfg higher to DM375.50 and Kaufhof rose DM3.50 to DM433.50.

AMSTERDAM rose early with the stronger dollar and closed around the day's highs though in thin trade. The all-share trend index added 1.2 to 67.3.

International blue chips made ground, notably Royal Dutch which added Fl 5.30 to Fl 204. Unilever was Fl 1.90 higher at Fl 107.60 in line with the market and news of its planned sale of Thames Board to Sweden's Iggesund was largely ignored. Philips was steady at Fl 27.40 and Akzo 30 cents cheaper at Fl 92.50.

Avionics group Fokker edged 30 cents lower to Fl 20.30. Shareholders approved on Tuesday the purchase of a 49 per cent stake in the group by the Netherlands Government.

London

TAKING a lead from early strength on Wall Street rather than the higher-than-expected November UK trade figures, London equities posted their eighth gain in nine sessions. The FT-SE 100 index ended the day 24 higher at 1,771.4. Gilts held firm despite disappointment over the trade figures.

PARIS moved generally higher on the first day of the accounting month. The 50-share bourse indicator advanced 1.8 per cent in moderate trade.

Most blue chips were ahead, Peugeot by FFr42 at FFr970 and Lafarge Coppee FFr17 at FFr1,262. Cie du Midi, though, faltered with a FFr15 dip to FFr1,205.

BRUSSELS firmed in thin trade dominated by small investors. The cash market index was 37 up at 3,579.37.

Holdings led the way, Reserve rising BFr140 to BFr2,210 and Groupe Bruxelles Lambert BFr130 to BFr2,200. In chemicals, Petrofina climbed BFr80 to BFr8,340 and Solvay was BFr220 up at BFr9,700.

Utilities were generally firmer, with Unerg rising BFr85 to BFr2,700 and Electrafina BFr200 to BFr5,100.

In service industries, tourist issue Wagons Lits was up BFr150 at BFr3,600 and Delhaize added BFr80 to close at BFr2,800.

There were some setbacks, though, among industrial issues, with armsmaker FN losing BFr60 to BFr470 and ACEC down by BFr23 at BFr421.

Compagnie Maritime Belge was also weak, ending the day down BFr400 at BFr8,300

MILAN ended mildly firmer across the board in light trade. The MIB index added 4 to 701.

Most blue chips climbed slightly, though Montedison resumed its decline with a L3 dip to L1,345.

MADRID closed mixed after the tonic of lower interest rates pulled prices back from a spate of profit-taking. The general index closed just 0.46 up at 234.20 to register a 3 per cent gain on the week.

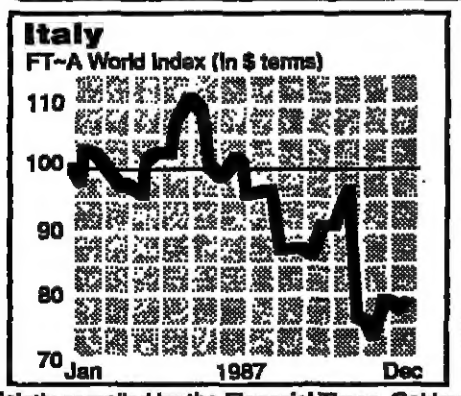
STOCKHOLM took a step higher, aided by a rise in London. The Affaersvaerlieden general index rose 1.2 to 881.6.

OSLO rose solidly as North Sea oil prices rebounded to leave the all-share index 2.37 higher at 252.66.

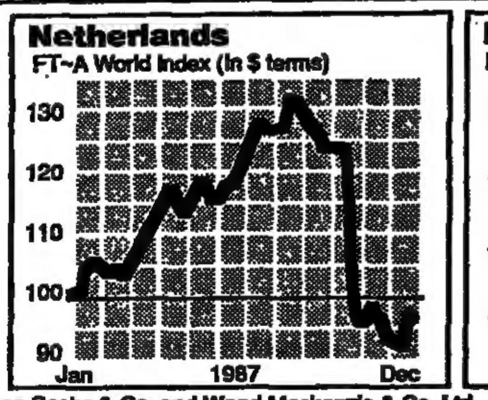
Saga Petroleum added NKr6 to NKr84.5 and Norsk Hydro NKr2.50 to NKr139.

THE YEAR IN FOCUS

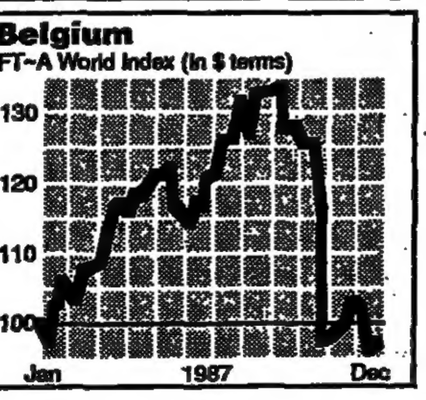
Italy
FT–A World Index (in $ terms)



Netherlands
FT–A World Index (in $ terms)



Belgium
FT–A World Index (in $ terms)



Jointly compiled by the Financial Times, Goldman Sachs & Co. and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 23 1987					TUESDAY DECEMBER 22 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (88)	100.76	+1.7	81.90	93.97	4.39	99.03	80.21	92.46	180.81	85.36	99.34
Austria (16)	95.84	−0.7	77.90	81.65	2.58	96.51	78.17	81.81	102.87	85.53	96.67
Belgium (48)	97.54	+0.7	79.28	82.62	5.75	96.82	78.41	81.77	134.89	94.63	97.06
Canada (127)	111.34	+1.3	90.50	105.34	2.96	109.90	89.01	103.89	141.78	98.15	100.48
Denmark (38)	112.55	−0.8	91.48	96.59	3.08	113.45	91.88	96.82	124.83	98.18	98.48
France (121)	86.79	+1.1	70.55	75.32	3.55	85.88	69.56	74.16	121.82	77.39	101.51
West Germany (93)	77.13	−0.6	62.69	65.60	2.91	77.63	62.88	65.72	104.93	68.91	97.60
Hong Kong (46)	89.85	+1.9	73.04	89.64	5.52	88.16	71.41	88.08	158.68	73.92	97.99
Ireland (14)	104.73	−0.6	85.13	91.03	5.00	105.36	85.33	91.08	160.22	93.50	97.66
Italy (94)	78.55	+0.7	63.85	70.40	2.72	78.02	63.19	69.81	112.11	72.04	97.98
Japan (457)	142.78	−0.5	116.05	114.39	0.61	143.51	116.23	114.84	161.28	100.00	98.47
Malaysia (36)	109.69	+0.8	89.16	105.34	3.42	108.80	88.12	104.68	193.64	93.76	100.50
Mexico (14)	103.00	−0.2	83.72	252.82	1.18	103.21	83.59	253.34	422.59	99.72	100.03
Netherland (37)	98.92	+1.5	80.40	83.12	5.44	97.45	78.93	81.53	131.41	87.70	99.05
New Zealand (20)	74.14	−0.6	60.26	60.66	5.56	74.59	60.42	61.03	138.99	73.39	98.39
Norway (24)	100.77	+1.0	81.91	87.40	3.13	99.80	80.83	86.32	185.01	95.51	98.16
Singapore (26)	98.45	+2.0	80.02	90.80	2.67	96.49	78.15	88.97	174.28	81.21	101.11
South Africa (61)	133.44	+1.0	108.46	90.46	4.69	132.07	106.97	90.23	198.09	100.00	100.42
Spain (43)	133.10	+0.0	108.18	112.07	3.75	133.14	107.84	111.61	168.81	100.00	97.79
Sweden (34)	98.97	−0.4	80.45	87.18	2.63	99.35	80.47	87.18	136.64	88.50	97.56
Switzerland (53)	82.91	+0.6	67.39	68.37	2.44	82.45	66.78	67.65	111.11	73.68	97.41
United Kingdom (332)	132.61	+0.9	107.79	107.79	4.34	131.45	106.46	106.46	162.87	99.65	98.07
USA (580)	102.93	+1.3	83.67	102.93	3.60	101.65	82.33	101.65	137.42	91.21	102.14
Europe (947)	104.40	+0.6	84.85	87.36	3.88	103.77	84.05	86.51	130.02	92.25	98.27
Pacific Basin (673)	139.08	−0.4	113.05	112.53	0.82	139.64	113.10	112.87	158.77	100.00	98.50
Euro–Pacific (1620)	125.25	−0.1	101.80	102.46	1.85	125.33	101.51	102.33	143.65	100.00	98.41
North America (707)	103.38	+1.3	84.03	103.09	3.56	102.08	82.68	101.79	137.55	91.68	102.05
Europe Ex. UK (615)	86.89	+0.3	70.63	74.50	3.44	86.61	70.15	73.95	111.97	78.89	98.39
Pacific Ex. Japan (216)	94.42	+1.6	76.75	89.04	4.72	92.89	75.24	87.70	164.09	82.92	98.90
World Ex. US (1822)	124.85	+0.0	101.48	102.56	1.91	124.86	101.13	102.38	143.38	100.00	98.51
World Ex. UK (2070)	114.76	+0.4	93.28	102.17	2.27	114.35	92.61	101.70	138.82	100.00	100.10
World Ex. So. Af. (2341)	116.24	+0.4	94.48	102.76	2.47	115.76	93.75	102.20	139.47	100.00	99.92
World Ex. Japan (1945)	103.70	+1.0	84.29	97.00	3.73	102.63	83.12	95.87	134.22	92.98	100.62
The World Index (2402)	116.35	+0.4	94.57	102.69	2.49	115.86	93.84	102.14	139.73	100.00	99.92

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition. Amendment to year-end changes published Dec. 21:OMV (Austria) will not be inserted into the index because only 15pc. of the share capital has been made available to investors. The company will be reconsidered for inclusion at a later date.

FT CHRISTMAS CROSSWORD

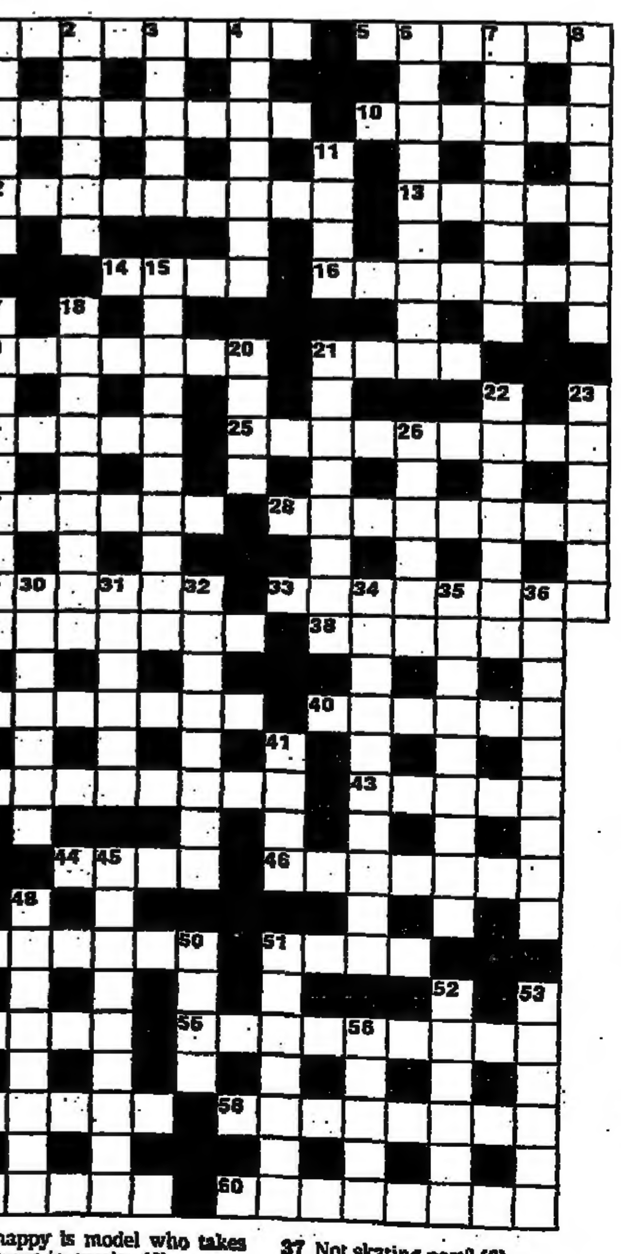
SET BY CINEPHILE

A seasonal greeting (1,5,9,2,3,3,7) passes through the squares numbered 22, 35, 40 and 41. The answers to 5, 10, 19, 28, 39 and 51 across and 1, 15, 50, 53 and (together or separately) 52 and 56 down are of a kind; they may be singular or plural, and one or two are somewhat derogatory; the clues for these twelve solutions are incomplete.

Prizes of £25 will be awarded for the first ten correct solutions opened. Solutions, marked Christmas Crossword on the envelope, to be received by Wednesday January 6, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution and winners will be published on Saturday January 9.

Name..

Address..



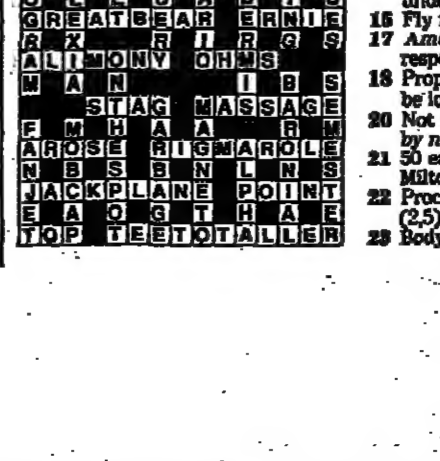
ACROSS

1 A can, oily for a change, in Asia Minor (8)
5 Royal dominion, 0 minus O (6)
9 Gnu has bits missing, not being in hive (4,4)
10 Piste for one's hand (6)
12 Pupil with drawer gets upset (9)
13 A green means stop (5)
14 A wager gives help (4)
16 The City – this could be put nicer – is sweating (7)
19 Indefinite article, possibly? (3,4)
21 Look obliquely at shelter on river (4)
24 Incomplete article – take to the beat (5)
25 Taken less trouble? Don't be daft! (4,5)
27 Greeting that returns as musical instrument (6)
28 Finish in a lot of clothes (8)
29 Can (plural); 'e's gone for the plough (6)
33 More likely to flaunt incomplete covering for the bosom (8)
37 Settee or single chair, not bikini? (3-5)
38 Opposite of Ursa Minor? Cast on, knit? (6)
39 Unarched apartment measure (8)
40 First part of row repeatedly left in Western Scotland (6)
42 Tents on a river built for broadcasting (9)
43 Issue including Channel Islands issue (5)
44 I press for repayment from the goddess of spring (4)
46 He manages to cook with all 's might (7)
49 Contract for people sitting at a table, not the Owenites? (2-5)
51 Charge cutter (4)
54 Laments heard from Cambria (5)
55 Cupid is a sort of puppet eating bad food (3,2,4)
57 Knock-out drink sent back for African antelope (6)
58 Toy girl alternatively is back inside the threshold (8)
59 Jerries set hot drink against cold (6)
60 Labyrinth discloses pub with English back (5,3)

DOWN

1 Grass about mum (6)
2 Religious leader, a speaker in church (6)
3 Game called after man in sombrero (5)
4 In one canvas a painter is repetitive (7)
6 A lot of orchestras outside a Scottish port use broomrape (9)
7 Very quiet prophet's teacher in Buddhism levitated quietly (8)
8 One tarries, possibly: one doesn't see them often (8)
11 Trouble on a lid gets solvers under way (4)
15 Fly from indecent drink (10)
17 American fellow may be respected as politician (9)
18 Propel cat roughly – it may be locked in a car (6,3)
20 Not the last Greek letter used by nuclear physicists (4)
21 50 each for leaderless black in Milton's poem (8)
22 Proceeding to travel by rail? (2,5)
23 Body of weathermen? (6)
26 Unhappy is model who takes pleasure in cruelty (6)
30 Mr Ready goes for Soviet troops (3,4)
31 Rebellious state of Zambia, France, etc (6)
32 Hatching of pupa once soil's disturbed (8)
34 A sore toe's a beastly thing: this is a barnacle (6-6)
35 Lecherous like Rabelais, say, as clarity required (9)
36 Some of the natives plan a descent to the sea-front (9)
37 Not skating post? (6)
41 Murray's glass? (4)
45 Blanket statute briefly comes in two notes from US shop (9)
47 A blooming avalanche? (8)
48 I leave Israelite wandering to workshops (8)
50 Are they greedy for iron? (4)
51 Go to sleep in a place of flowers and feathers (3,4)
52 River vermin (6)
53 Murphy's stripper (6)
56 Pro-establishment? (5)

Solution to Puzzle No.6,515



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